(1) Supreme Court, U.S.
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No.

In the

Supreme Court of the United States

SMALL BUSINESS ASSISTANCE CORPORATION,

Petitioner,

versus

CLEAR CHANNEL BROADCASTING, INC., BILL STRUCK, JIM PAUL AND JOHN CANDELARIA,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The Fifth Circuit violated the Reexamination Clause of the Seventh Amendment when it misapplied an incorrect standard of review and wholly ignored the record evidence culminating in the outright substitution of its opinion for that of the jury and district court.

STATEMENT PURSUANT TO RULE 29.6

Small Business Assistance Corporation ("SBAC") has no parent corporation or subsidiary corporation, and no publicly-held company owns 10% or more of SBAC's stock.

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OPINIONS BELOW

The opinion of the United States Court of Appeals for the Fifth Circuit in *Small Bus. Assistance Corp. v. Clear Channel Broad., Inc., Bill Struck, Jim Paul and John Candelaria*, 210 F.3d 278 (5th Cir. 2000), is set forth in the Appendix hereto. (App. A) The orders entered by the District Court in this case are also set forth in the Appendix. (App. B)

BASIS FOR JURISDICTION

The final judgment of the United States Court of Appeals for the Fifth Circuit reversing and rendering the decision of the District Court of the Western District of Texas was entered on April 12, 2000. (App. A) Small Business Assistance Corporation filed its Petition for Rehearing on April 25, 2000. (App. E) The Petition for Rehearing was denied on May 22, 2000. (App. C) This petition for writ of certiorari is filed within ninety (90) days from that date. 28 U.S.C. section 2101(c).

The jurisdiction of this Court is invoked pursuant to the provisions of 28 U.S.C. sections 1254(1) and 2106.

CONSTITUTIONAL PROVISION INVOLVED

U.S. CONST. Amend. VII

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

1. SBAC and MWR plan "thank you" concert for Desert Storm troops.

After Desert Storm, the military wanted to do something special for the soldiers at Fort Bliss in El Paso. (7R 256, PX 33) In particular, the Morale, Welfare and Recreation Department (MWR) wanted to provide entertainment for the soldiers stationed there, and it wanted something that would be interesting enough to keep them "close to home and off the roads" during the July 4th weekend. (6R 23, PX 33) So, Darrell Manuel, the director of recreational activities for Fort Bliss, met with Renard Johnson about a July 4th concert. (6R 24) Johnson ran the Small Business Assistance Corporation (SBAC), a company that presented musical events in El Paso. (6R 93, 130)

Together, Manuel and Johnson conceived the idea of doing an "Uncle Sam Jam" concert—an outdoor urban/hip-hop music event that would target the younger troops. (6R 24, 28) In El Paso, there was no other outdoor summer concert with this type of music. (6R 28) The MWR would provide the venue and security for the event, and Johnson would handle everything else. (7R 232, 237-38)

2. El Paso embraces the "Uncle Sam Jam" event.

The concert was a big success, not only with the soldiers and their families, but also with the civilian community. (7R 330, PX 35) "Uncle Sam Jam" became an annual event and built a name for itself over the next four years. It was known for being a family-oriented festival. (7R 343) Because security was provided by both the military police and by civilian plain-clothes officers, people felt safe, and even though the Uncle Sam Jam events attracted large

crowds, there was never any incident involving an arrest. (6R 51)

To advertise and promote the Uncle Sam Jam events, Johnson contracted each year with Power 102 Radio, a Clear Channel station that played urban/hip-hop music. (6R 26, 96; 8R 373-74) Johnson also advertised through the newspaper and the television as well as through billboards and other media. (6R 37-38, 95)

3. After sell-out concert, Clear Channel[1] decides to steal the event.

In 1995, the Uncle Sam Jam IV concert was a sell-out.[2] (6R 99) After it was over, several Power 102 employees stood by the fence and talked about what a successful event it had been. John Candelaria, a/k/a "Candyman," was a well-known disc-jockey for Power 102 and was also its program director; Bill Struck was the vice-president and general manager over all five Clear Channel El Paso radio stations; and Mel Dolezal was the local sales manager for Power 102. (8R 494, 9R 607, 796-97) As these three men watched the clean-up crews, Candelaria said they should "think about doing this ourselves next year," commenting on "how much money we could make." (8R 501) Stephanie Reynolds, an account executive for Power 102, testified that within a week of the sell-out Uncle Sam Jam IV concert, Candelaria told her that they should do it themselves without Renard Johnson. (8R 376-77, 379)

Throughout the Fall of 1995, in Monday-morning meetings at the radio station, there were discussions about "taking over the event." (8R 501-03) Repeatedly, as he

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1 Unless otherwise indicated, "Clear Channel" will refer to all defendants.

2 The Uncle Sam Jam concert won a "best event" award from the Army in 1995. (DX 39)

listened to the talk on how "to take the concert away from Renard Johnson," Mr. Dolezal stated that he did not think it was right. (8R 502-05, 694) He told Candelaria and Struck that "they were trying to steal a name that somebody else had built for four years." (8R 502) "That was the intent," testified Mr. Dolezal. (8R 505)

4. Clear Channel deliberately chooses confusing name of "Summer Jam V."

Despite the efforts of SBAC and the Fort Bliss MWR to build the Uncle Sam Jam event over four years, Power 102 decided to pirate it. (6R 66) Originally, Power 102 tried to use the same "Uncle Sam Jam" name, but after learning that SBAC had obtained a trademark on "Uncle Sam Jam,"[3] Power 102 decided to call its event "Summer Jam V," and it promoted the concert under this name on the radio, on billboards, on flyers, and in press releases. (6R 33-34, 113-115, 47-49; 8R 387, 401, 503-04, 522, 705; 9R 688-689) This was clearly calculated to confuse the public—there had never been a "Summer Jam" I, II, III or IV. (6R 29) Nevertheless, as Stephanie Reynolds explained, Power 102 deliberately chose the name of Summer Jam V for "listener-recognition" and because it wanted listeners to associate Summer Jam V with Uncle Sam Jam and "tie the two together." (8R 388) John Candelaria admitted that this sort of association was exactly what they wanted to achieve. (9R 845, 847)

5. Clear Channel strings SBAC along.

Although Power 102 was already planning its own "hip-hop" concert for the July 4th holiday, it strung SBAC

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3 The Fort Bliss MWR had no objection to SBAC's trademarking of the name "Uncle Sam Jam." (7R 216)

along by delaying in submission of its annual advertising proposal for the Uncle Sam Jam concert. (6R 105-06, 8R 384) Finally, when Renard Johnson figured out that Power 102 was planning its own concert, he found another radio station, KISS, to advertise and promote the Uncle Sam Jam event. (7R 249-250) However, since Power 102 had already confused the market with its promotion of "Summer Jam V," SBAC's 1996 event had to be called "Uncle Sam Jam's Freedom Festival V," to better distinguish it from Power 102's event. (6R 40, 42)

6. Clear Channel continues its tactics of confusion.

Power 102 scheduled its concert for the July 4th holiday. Jim Paul, who managed the El Paso Diablos baseball team and who had a good relationship with the press, worked with Power 102 to advertise the Summer Jam V concert. (9R 623, 727, 730) The event was promoted as "our fifth annual concert" even though Power 102 had never had any prior concerts at all. (8R 389) They advertised that "we're moving to a larger venue," and yet, there was nothing for Power 102 to move since this was its first concert. (6R 42; 8R 389) They released news that the concert would be at Cohen Stadium "for the first time in the concert's five-year history," and yet the Power 102 concert had no history at all. (6R 47) And in an El Paso Times article, it was reported that the Summer Jam V concert was planning "beefed-up security" because of "problems with fighting and public drunkenness in the past." (6R 49) Mr. Manuel took particular offense at this because there had never been any such problems at Fort Bliss, and because he took great personal pride in the security that his department had provided, allowing Uncle Sam Jam to be a safe and positive community event. (6R 49, 51) Finally, even though Clear Channel expressly told SBAC that it would delete the "V" from the "Summer Jam V" concert name, it did not do so.

Right up to the very day of the concert, its promotionals were still advertising "Summer Jam V." (PX 45-48; DX 51-52)

7. Clear Channel interferes with SBAC event by threatening performers.

Not only did Power 102 intentionally confuse the public by attempting to link Summer Jam V to the prior Uncle Sam Jam concerts, it also sought to interfere with SBAC's attempts to put on its own fifth event in 1996. John Candelaria told record label representatives that if any of their artists agreed to perform at SBAC's event, he would pull their record label from Power 102's play list. (8R 390) In other words, he made it clear that he would not play a record label's music if any band on that label was performing at the SBAC concert. Because of this threat, artists were afraid to play for SBAC's Uncle Sam Jam Freedom Festival V. Because Clear Channel has radio stations all across the country, and because Power 102 was a "reporting station" for the music industry, this was the sort of threat that most musicians and record labels could not afford to ignore. (9R 690; 8R 509) In particular, Montel Jordan, who was to be the headliner act for SBAC's concert, said that it was very difficult for him to play at the show after Candelaria threatened to pull the record label from the station's play list. (7R 287, 296; 8R 390)

8. Summer Jam is not a family event.

Power 102's Summer Jam concert was held the weekend before July 4th and it was a sell-out. (9R 742) Afterwards, however, there were complaints about it published in the newspaper. (7R 264) Not only were there fights and security problems, but there were also "gangster-type rap acts" and a lot of profanity coming from the stage. (7R 344-45; 9R 741) It was not a family event like the Uncle Sam Jam concerts had always been. (7R 344-45)

9. Clear Channel continues interference by announcing cancellation of SBAC concert.

Two weeks later, SBAC had its own concert and lost money.[4] Having already threatened the musicians and record label companies ahead of time, "Candyman" continued with his malicious tactics on the day of the concert itself. He announced on the air that the Uncle Sam Jam's Freedom Festival had been canceled. (6R 43; 7R 260, 310) He said it was rained out and that the headliner, Montel Jordan, was not coming. (6R 43, 65; 7R 260, 310) "Candyman" also sent a Power 102 van to SBAC's concert to hand out T-shirts and other paraphernalia so as to divert attention away from KISS, the radio station that was now promoting SBAC's concert. (6R 43-45; 7R 240, 260, 309) Ultimately, the Fort Bliss military personnel had to ask Power 102's van to leave. (8R 392)

10. Uncle Sam Jam is stolen by Clear Channel.

Even though they had originally planned to have the Uncle Sam Jam concerts every year, and even though they were already planning a "mega event" for the year 2000, the MWR and SBAC decided they could not continue. (6R 87, 118; 7R 196) The Uncle Sam Jam name had been tarnished with all the false reports of security problems and with people associating the profane style of the Summer Jam concert with Uncle Sam Jam. (7R 261) Thus, an event that had begun as a wholesome, family-oriented celebration to honor Desert Storm soldiers and their families, that had evolved through four years into one of "the most visible and positive

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4 Although SBAC had planned to have its event on the July 4th weekend, it moved it back a week because of Power 102's Summer Jam V event. (6R 64, 86) Thus, SBAC's Uncle Sam Jam's Freedom Festival V was two weeks after Power 102's Summer Jam V.

entertainment events in the El Paso area," was "stolen" by Clear Channel. (6R 73)

11. The jury sees the malice and awards damages accordingly.

The jury found that all of the Defendants infringed on SBAC's trademark "Uncle Sam Jam," and that the infringement was willful. (4R 899-900) The jury also found that the Defendants engaged in unfair competition, attempted to mislead the consuming public about the origins of its concert, and engaged in false advertising. (4R 900-901) On these trademark-related claims, the jury found that the Defendants had made $78,000 in profits from the infringing use of "Summer Jam and/or Summer Jam V," and the district court awarded this amount as damages to SBAC. (4R 903; 5R 1168-1170) The jury also found that all the Defendants had interfered with SBAC's prospective economic advantage and that they had all done so with malice. (4R 904, 906) For this interference, the jury awarded the following amounts in actual and punitive damages as against each Defendant:

Defendant	Actuals	Punitives
Clear Channel	$348,600	$5,000,000
John Candelaria	$ 49,800	$ 150,000
Bill Struck	$ 74,700	$ 300,000
Jim Paul	$ 24,900	$ 1,000

(4R 905, 907)

The district court awarded actual damages in accordance with the verdict and, agreeing with the jury's findings that Defendants acted maliciously, willfully or with reckless disregard, awarded punitive damages. However, notwithstanding the Defendants' failure to plead for application of the state cap on punitive damages, it reduced the punitive awards as against Clear Channel and Bill Struck

to $697,200 and $200,000, respectively. (5R 1145-1154, 1168-1170) Thus, the court rendered judgment against all Defendants, jointly and severally, for the sum of $78,000; against Clear Channel for a total of $1,045,800; against John Candelaria for a total of $199,800; against Bill Struck for a total of $274,700; and against Jim Paul for a total of $25,900. (5R 1168-1170) The court refused to award prejudgment interest on either the trademark-related claims or the common-law interference claims. (5R 1128-1132, 1168-1170) Even though the court agreed with the jury's finding that the infringement was willful, the court nevertheless refused to treble the damages. (5R 1128-1131, 1168-1170) Finally, although the court specifically found that this was an exceptional case and awarded attorneys' fees on the Lanham Act claims, it greatly reduced the fee request, arbitrarily limiting the award to $27,650.25. (5R 1133-1144, 1168-1170)

12. The Fifth Circuit reverses and renders a take nothing judgment.

Clear Channel appealed complaining that there was either no evidence or insufficient evidence to support the jury's findings on the trademark related claims, the tortious interference claims, or the award of damages and punitive damages, and also challenged the attorneys' fees awarded to SBAC. SBAC responded that Clear Channel had waived its sufficiency arguments by failing to move properly for judgment as a matter of law as required by FED.R.CIV.P. 50(b) and, in any event, that there was some evidence to support every jury finding and the damages awards. SBAC cross-appealed regarding the court's application of a cap on punitive damages, its refusal to award prejudgment interest, and its reduction of the attorneys' fee award.

Without discussing either the standard of review or the record facts, the Fifth Circuit held that SBAC's infringement claim failed because the "testimony and record

evidence lead to the inescapable conclusion that 'Summer Jam' is a generic term for a musical concert occurring during the summer months." *Small Bus. Assistance Corp. v. Clear Channel Broad., Inc.*, 210 F.3d 278, 279 (5th Cir. 2000). Based on that finding, the court reversed and vacated the awards for trademark infringement and attorneys' fees under the Lanham Act, and determined that all related issues on appeal were moot as a result. The court also reversed the award of damages on tortious interference and rendered a take nothing judgment in favor of Clear Channel based on its finding that no evidence supported the damages element, but instead, that SBAC's proof was merely speculative. *Id.* This holding mooted SBAC's cross-issues related to punitive damages and prejudgment interest.

REASONS FOR GRANTING THE WRIT

1. Summary of the argument.

After a cursory glance at the evidence, and without regard for the governing standard of review or its proper application, the Fifth Circuit nullified a judgment that resulted from a six day jury trial, an overwhelmingly favorable jury verdict, and careful review by the district court of hundreds of pages of post-trial briefing. In doing so, the court of appeals usurped the jury's fact-finding power in violation of the Reexamination Clause of the Seventh Amendment. By expanding its own powers in this way, the Fifth Circuit has charted a collision course with the United States Constitution.[5]

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5 In the interest of preserving space, Petitioner will not present its arguments regarding the Fifth Circuit's error in reversing the tortious interference damages here. Rather, Petitioner would respectfully refer the Court to its briefing below on those issues and reserves its right to fully

2. The Fifth Circuit violated the Seventh Amendment prohibition on reexamination of jury findings.

At trial SBAC presented such compelling direct evidence of Clear Channel's predatory behavior in infringing on its mark and tortiously interfering with its concert series that the jury awarded SBAC nearly six million dollars in damages. Although the district court acknowledged the malicious nature of Clear Channel's behavior, it applied statutory caps to reduce the punitive damages and attorneys' fees to just over a million dollars.

Despite Clear Channel's non-compliance with Rule 50(b), which waived any complaints about the sufficiency of the evidence (*see infra*, section 3A), the Fifth Circuit arbitrarily (and improperly) employed an unspecified "sufficiency" standard of review, reversing and rendering a take-nothing judgment in favor of Clear Channel. The Fifth Circuit did so without considering the prodigious amount of record evidence of Clear Channel's infringement and tortious interference. By completely disregarding the evidence and the proper standard of review the Fifth Circuit violated SBAC's Seventh Amendment rights and impermissibly engaged in the type of invasive verdict reexamination this Court abhors.

Sufficiency review of a jury verdict is "exceedingly narrow because of the requirements of the right to a jury trial preserved by the Seventh Amendment to the United States Constitution." *Granberry v. O'Barr*, 866 F.2d 112, 113 (5th Cir. 1988). The Seventh Amendment requires that the right of a jury trial be preserved, and precludes any fact tried by a jury from being reexamined in any court of the United States. U.S. CONST. Amend. VII. Even the sufficiency standard of

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brief those issues if this Court grants this Petition. (*See* SBAC Br. for Appellee/Cross-Appellant at 36-51; pet. for r'hng, App. E)

review, which is broader than the plain error review that should have been applied, is constrained by the Seventh Amendment and is "exacting." *Id.* at 113. Sufficiency review requires that the jury's verdict be upheld unless "the facts and inferences point so strongly and so overwhelmingly in favor of one party that reasonable men could not arrive at any verdict to the contrary. If there is evidence of such quality and weight that reasonable and fair-minded men in the exercise of impartial judgment might reach different conclusions, the jury function may not be invaded." *Id.*

Although the court paid lip service to the plain error standard of review, there is no sign that the court actually reviewed the record for "any evidence" to support its holdings. In fact, its laconic opinion showed no deference at all to the jury's verdict or the trial court's review of that verdict. Such reexamination of the jury's findings was tantamount to depriving the litigants of a jury trial. This is particularly relevant here where the jury trial resulted in a resounding victory for the plaintiff. By stripping SBAC of its victory, which was supported by a colossal amount of evidence, the Fifth Circuit has truncated one of the most fundamental constitutional protections afforded by the Constitution—the right to a jury trial. This arrogation of newfound federal appellate power (from the province of the jury) is pernicious and must be squelched before it gains momentum.

Not only does the Seventh Amendment govern allocation of trial functions between judge and jury, it also controls allocation of a court's authority to review jury verdicts. *Gasperini v. Center for Humanities*, 518 U.S. 415, 432 (1996). As several members of this Court have noted, it is not for this Court, and especially not for the court of appeals, to "decide that the Seventh Amendment's restriction on federal-court review of jury findings has outlived its usefulness." *Id.* at 449 (Scalia, J., dissenting).

That is exactly what the Fifth Circuit has done here. Ignoring the Seventh Amendment limits on its own review

power, the court refused to either set out the standard of review it employed or detail the evidence that supported its decision.[6] It then embarked upon a wholesale reexamination of the facts, culminating in the court's outright substitution of

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6 In analyzing a challenge to the sufficiency of the evidence to support the jury's findings, the Fifth Circuit has stated that it applies the same standard it would to ruling on a motion for directed verdict or judgment notwithstanding the verdict as the right to complain about sufficiency is inextricably intertwined with the preservation of that complaint through a motion for judgment as a matter of law:

> On motions for directed verdict and for judgment notwithstanding the verdict the court should consider all of the evidence--not just that evidence which supports the non-mover's case--but in the light and with all reasonable inferences most favorable to the party opposed to the motion. If the facts and inferences point so strongly and overwhelmingly in favor of one party that the court believes that reasonable men could not arrive at a contrary verdict, granting of the motions is proper. On the other hand, if there is substantial evidence opposed to the motions, that is, evidence of such quality and weight that reasonable and fair-minded men in the exercise of impartial judgment might reach different conclusions, the motions should be denied, and the case submitted to the jury. A mere scintilla of evidence is insufficient to present a question for the jury. The motions for directed verdict and judgment n. o. v. should not be decided by which side has the better of the case, nor should they be granted only when there is a complete absence of probative facts to support a jury verdict. There must be a conflict in substantial evidence to create a jury question. However, it is the function of the jury as the traditional finder of the facts, and not the court, to weigh conflicting evidence and inferences, and determine the credibility of witnesses.

Lubbock Feed Lots, Inc. v. Iowa Beef Processors, Inc., 630 F.2d 250, 268 (5th Cir. 1980) (internal citations omitted). The Fifth Circuit, as evidenced by its refusal to explain its review, detailing the evidence or lack thereof supporting its findings clearly did not adhere to this standard.

its own conclusion on genericness for that of the jury and the trial court. This review ignored the evidence and the well settled Fifth Circuit rule that genericness is a fact question (*see infra*, section 4A). There can be no question but that this sort of review evinces the "studied waywardness" members of this Court have lamented that the intermediate appellate bench has been inclined toward of late. *Gasperini*, 518 U.S. at 459 (Scalia, J., dissenting).

The purpose of the Reexamination Clause—to put to rest any apprehension about new trials by the appellate courts—is subverted by the diluted "review" applied by the Fifth Circuit. *Id.* at 451. Specifically, the court resolutely ignored the evidence and facts already considered by a jury and the jury's findings that were already reviewed by the district court. By rejecting the evidence absolutely, the court nullified "what was long regarded as a core component of the Bill of Rights—the Seventh Amendment's prohibition on appellate reexamination of civil jury awards." *Id.* at 449. This expansion of federal appellate power cannot be countenanced by this Court, and further development of this trend should be arrested.

The Fifth Circuit's actions in this case are not isolated, but instead are emblematic of a widespread problem. If it were but an isolated instance of impingement upon the Seventh Amendment, it

> might have little significance, but when many other courts throughout the country are found to be making the same shift and to be doing so despite the provisions of statutes and constitutions there is revealed one aspect of that basic conflict in the legal history of America—the conflict between the people's aspiration for democratic government and the

> judiciary's desire for the orderly supervision of public affairs by judges.

Galloway v. United States, 319 U.S. 372, 406 (1943) (Black, J., dissenting). The "fierce resolution and deceptive ingenuity with which the courts have refused to carry out the unqualified mandate of statutes and constitutions" must be addressed and reversed by this Court. *Id.* at 406, n.20. Otherwise, judges will continue to "search the evidence with meticulous care to deprive litigants of jury trials," as the Fifth Circuit did here. *Id.* If this Court does not move to stop the ebb of this tide, courts will continue the "gradual process of judicial erosion which ... has slowly worn away a major portion of the essential guarantee of the Seventh Amendment." *Id.* at 397; *see also Parklane Hosiery Co., Inc. v. Shore*, 439 U.S. 322, 338 (1979) (Rehnquist, J., dissenting). Granted, the duty this Court faces is a difficult one, as it is essentially its "own power which [ ] must [be] restrain[ed]." *Galloway*, 63 S.Ct. at 1095.

3. The Fifth Circuit failed to apply any proper standard of review.

A. Clear Channel had waived any right to the "sufficiency" review the Fifth Circuit conducted.

The Fifth Circuit erred in undertaking a "sufficiency" review of the evidence because Clear Channel waived any such review by failing to file a Motion for Judgment as a Matter of Law ("JML") at the close of all evidence. FED.R.CIV.P. 50(b). Accordingly, the Fifth Circuit's review was limited "to considering whether there was *any evidence* to support the jury's verdict, or whether *plain error* was committed which, if left uncorrected, would result in a manifest miscarriage of justice." *Wells v. State Farm Fire & Cas. Co.*, 993 F.2d 510, 513 (5th Cir. 1993); *Daigle v.*

Liberty Life Ins. Co., 70 F.3d 394, 397 n.2 (5th Cir. 1995); *Crist v. Dixon Welding, Inc.*, 957 F.2d 1281, 1285 (5th Cir. 1992).

Although Clear Channel made an oral motion for JML at the close of SBAC's evidence,[7] Clear Channel did not file a motion for JML at the close of all of the evidence. (8R 590-592) After the verdict, Clear Channel filed a "renewed" motion for JML. (6R 132) SBAC properly objected that Clear Channel had waived the right to urge a "renewed" motion because it had not filed a motion for JML at the close of all evidence. (*See* SBAC Br. for Appellee/Cross-Appellant at 14, SBAC Response to Reply Br.at 6-12, Rec. Exc. Tab 13*); see Tamez v. City of San Marcos, Texas*, 118 F.3d 1085, 1088 (5th Cir. 1997) (absent a motion for JML at the close of all evidence, "district court should not have even considered" defendant's renewed motion).

Certain "*de minimis*" departures are excused from technical compliance with Rule 50(b). *Tamez*, 118 F.3d at 1089; *McCann v. Texas City Refining, Inc.*, 984 F.2d 667, 671 (5th Cir. 1993). This, however, is not such a case. "*De minimis*" cases have five things in common: (1) the purposes of Rule 50(b) have been satisfied; (2) the district court reserved its ruling on a motion for JML at the close of the plaintiff's case; (3) the defendant called no more than two witnesses before closing; (4) only a few minutes elapsed between the motion for JML and the conclusion of all the evidence; and (5) the plaintiff introduced no rebuttal

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7 In its motion, Clear Channel vaguely stated that it was attacking SBAC's case "on all issues," but it specifically complained about the evidence on only a few issues. (8R 590-592) Therefore, even in its motion at the close of SBAC's evidence, most of Clear Channel's issues were either insufficiently presented or not presented at all. *See* FED. R. CIV. P. 50(a)(2); *House of Koscot Dev. Corp. v. American Line Cosmetics, Inc.*, 468 F.2d 64, 68 n.4 (5th Cir. 1972).

evidence. *McCann*, 984 F.2d at 671-72; *Tamez*, 118 F.3d at 1089-90.

Here, the district court did not reserve a ruling on Clear Channel's motion for JML, but instead flatly denied it. (3R 596; 4R 602, 605)[8] Also, Clear Channel introduced eight witnesses after the close of SBAC's case. (9R 606, 721, 777, 795; 10R 900, 915, 936, 1010) Nearly two full days elapsed between Clear Channel's motion for JML at the close of SBAC's evidence and the close of all evidence, and SBAC offered no rebuttal evidence after the close of Clear Channel's case. (10R 1091) Consequently, "neither the district court nor [SBAC] could have been aware that [Clear Channel] continued to challenge the sufficiency of [SBAC's] *prima facie* case." *See McCann*, 984 F.2d at 672. Thus, the court was not faced with a "*de minimis*" departure, "but rather a complete failure to follow the requirements of Rule 50(b)." *Id., Wells v. State Farm Fire & Cas. Co.*, 993 F.2d 510, 512-13 n.6 (5th Cir. 1993). Consequently, Clear Channel waived any sufficiency review, and the Fifth Circuit should have reviewed the record only to determine if *any evidence* supported the jury's verdict and trial court's findings. *Wellborn v. Sears, Roebuck, & Co.*, 970 F.2d 1420, 1424 (5th Cir. 1992). This it clearly did not do.

B. The Fifth Circuit misapplied the "sufficiency" standard of review.

Even if the court somehow properly invoked a sufficiency review, it erroneously applied that standard. Only where a jury's assessment of damages is based on speculative or purely conjectural evidence does the court of appeals have the power to reverse that determination. *Haley v. Pan Am.*

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8 Although the court granted JML as to SBAC's fraud claim, it denied the rest of the motion, except as to one ground that it denied the next morning. (3R 596; 4R 602, 605)

World Airways, Inc., 746 F.2d 311, 316 (5th Cir. 1984). And where the trial judge has already invoked his own discretion by granting a remittitur, as here, the "scope of review is even narrower than usual" because the trial judge's view also deserves "considerable deference." *Giancontieri v. Pan Am. World Airways, Inc.*, 767 F.2d 1151, 1162 (5th Cir. 1985) (Tate, J., dissenting); *Haley*, 746 F.2d at 316 ("The fact the trial judge reviewed and approved the verdict in this case makes us even more hesitant to overturn the awarded amount.")

Here the court wholly disregarded the evidence to reach its conclusion that the marks involved were generic and that there was no evidence of tortious interference damages. The court's abbreviated consideration of the evidence illustrates that it employed the wrong standard of review. Apparently, the court engaged in a sufficiency review rather than reviewing the record for *plain error*, or to see *if any evidence* supported the jury verdict. More problematic, and regardless of what standard the court ostensibly used, it misapplied that standard. The steps the court took in reversing and rendering a take-nothing judgment confirm that the court refused to restrict itself to the confines of any recognized standard of review. Not only did it completely ignore the evidence, but the court refused to detail the evidence (or lack of evidence) supporting its holding that "Summer Jam" is generic and that the evidence supporting tortious interference damages was speculative.[9] *See, e.g., Lubbock Feed Lots*, 630 F.2d at 268 and footnote 5, *supra*.

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9 "The nagging sense of unfairness as to the way petitioners have been treated, engendered by the imprimatur placed by the court of appeals on respondent's "heads I win, tails you lose" theory of this litigation, is not dispelled by th[at] court's antiseptic analysis of the issues in the case." *Parklane*, 439 U.S. at 338, (Rehnquist, J., dissenting).

4. The Fifth Circuit erred in reversing on the Lanham Act claim.

The court concluded that Clear Channel's "Summer Jam" is a generic term, and hence, that it cannot infringe. As demonstrated, in so holding, the court erred by failing to apply any proper standard of review. The court also erred in entirely disregarding the evidence, and in fundamentally misperceiving the nature of genericness.

A. The Fifth Circuit ignored the evidence of genericness and its own rule that genericness is a fact question.

The court did not elucidate which standard of review it used to determine that "Summer Jam" was generic. In fact, the court did not even mention the word "evidence" when discussing the Lanham Act claims. This in itself illustrates the magnitude of the court's error because the issue of genericness is a fact question. *Zatarain's, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 793 (5th Cir. 1983) (the correct categorization of term is a factual issue); *Society of Fin. Exam'rs v. National Ass'n of Certified Fraud Exam'rs*, 41 F.3d 223, 226 (5th Cir. 1995) (recognizing that genericness and likelihood of confusion were issues for trier-of-fact); *see also* 2 J. Thomas McCarthy, McCarthy on Trademarks § 12:12 (4th ed. 1999) ("Genericness is a question of fact."). SBAC met its burden on this fact issue with an array of credible evidence. (*See infra*, at 21-22, 27-28; SBAC Br. for Appellee/Cross-Appellant at 20-22)

SBAC's burden was to show that there was a likelihood of confusion between the registered mark, "Uncle Sam Jam," and the infringing mark, "Summer Jam." Likelihood of confusion is also a fact issue. *Falcon Rice Mill, Inc. v. Community Rice Mill*, 725 F.2d 336, 344 (5th Cir. 1984). Determining likelihood of confusion requires

consideration of seven separate factors: similarity of product, identity of consumer market, identity of advertising media, type of trademark, defendant's intent, similarity of design, and actual confusion. *Falcon Rice Mill*, 725 F.2d at 345. All of these were proven below to the satisfaction of the jury and the district court. (*See* SBAC Br. for Appellee/Cross-Appellant at 16-26) Of the seven, evidence of actual confusion is "patently the best evidence of likelihood of confusion," and SBAC proved that consumers were actually confused. *Id.* at 345; (6R 31; 7R 260, 302-308, 312, 341-346; 8R 435).

Despite the importance of all seven of these criteria in determining infringement, the Fifth Circuit decided that the only criterion it need consider was the type of mark involved. It summarily discarded the remainder of the likelihood of confusion analysis. The Fifth Circuit has taken this route before in analyzing trademark infringement issues, stating that "once a determination [of category of mark] has been made, it may bring a party's case to a halt, precluding the presentation of other evidence." *Union Nat'l Bank*, 909 F.2d at 845 n.13. However, it remains clear that all seven criteria are integral to determining whether infringement has occurred and "[t]herefore it will be the exceptional case which may be disposed of on these grounds. Since...the likelihood of confusion is the *essential* concern in trademark law, no purpose is served, unless the mark is found to be generic, by eliminating a case on this ground if in fact consumers are likely to be confused." *Id.* (emphasis added). Here, the genericness determination is one that was made already by a jury and the district court, and it should not have been revisited by the Fifth Circuit.

It was not SBAC's burden to affirmatively negate the notion of "Summer Jam" as a generic mark. Rather, that notion was part of Clear Channel's case, and Clear Channel attempted to prove up the generic nature of "Summer Jam" via expert testimony. The jury was free to reject that testimony, which it did. Instead, the jury accepted the

testimony of SBAC's expert, Mr. David Henry, a trademark lawyer at Graves, Dougherty, Hearon & Moody, with unchallenged expertise.[10] He testified that neither the term "jam" nor the "Summer Jam" mark as a whole was generic. (8R 422-29, 460) There was no basis in the record or in the law for the Fifth Circuit to simply disregard this evidence, and hence, no basis for its conclusion that Clear Channel's use of "Summer Jam" was generic.

Reversal could only have been appropriate if the evidence *conclusively established* that Clear Channel's use of "Summer Jam" was generic and there was *no evidence* to the contrary. The court could have properly reached such a conclusion only if it had stricken the testimony of SBAC's trademark expert, Mr. Henry, and disregarded all of the other evidence of Clear Channel's confusing use of the mark with the Roman numeral "V." (*See* SBAC Br. for Appellee/Cross-Appellant at 20-22; 8R 422-429) Because there was absolutely no basis for either action, there was no proper basis for the court to simply substitute its own conclusion on genericness and damages for that of the jury and the trial court.

By negating the jury's findings, the court invaded SBAC's right to a jury trial and violated the Reexamination clause of the Seventh Amendment. *Granberry v. O'Barr*, 866 F.2d 112, 113 (5th Cir. 1988). The Fifth Circuit should have upheld the jury's verdict unless it found, upon a review of the entire record, that "the facts and inferences point[ed] so strongly and so overwhelmingly in favor of one party that reasonable men could not arrive at any verdict to the contrary." *Id.* at 113. Nowhere in its opinion did the court show that it adhered to this exacting standard. Neither did it

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10 Indeed, Mr. Henry was counsel of record for the successful Appellants in the *Society of Fin. Exam'rs* case, which was cited by the Fifth Circuit, and which involved the reversal of a summary judgment in recognition of the factual nature of the genericness inquiry.

find that there was no evidence or insufficient evidence to support the finding that the mark was not generic. Rather, it simply adopted a position, and without regard to the evidence, declared the mark generic. There is no indication that the court reviewed the entire record—the evidence supporting the court's opinion is not detailed and the court did not even attempt to illustrate how the evidence was so contrary to the jury's verdict as to support reversal and rendition. *See, e.g., Lubbock Feed Lots*, 630 F.2d at 268 and footnote 5, *supra*.

Far from supporting the court's brash conclusion that "Summer Jam" is generic, the case law it cited demonstrates that the issue is a factual one, to be determined by a jury. In *Dranoff*, the trial court granted summary judgment on the ground that plaintiff's use of "Injury-1" as a service mark telephone number was generic such that defendant's use of "Injury-9" could not infringe. *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852, 854 (3d Cir. 1992). The court of appeals reversed and remanded based on its recognition that, even though the term "injury" standing alone was generic, there remained a fact question as to the mark as a whole – i.e., as to the use of "Injury-1" – and a fact question as to the overall likelihood of confusion. *Id.* at 853, 862. Similarly, even if the terms "summer" and "jam," standing alone, were generic, there would remain a fact question as to Clear Channel's use of the mark as a whole – i.e., as to its use of "Summer Jam V" – and as to the overall likelihood of confusion.

Likewise in the *Society of Fin. Exam'rs* case, a summary judgment disposition was involved. 41 F.3d 223. The district court had ruled as a matter of law that an organization's use of the initials "CFE" to designate a "certified fraud examiner" constituted an infringement against another organization's use of the initials as designating a "certified financial examiner." *Id.* at 224. Reviewing the summary judgment on a de novo basis, the court of appeals reversed and remanded, holding that a fact-

finder could conceivably decide that "CFE" was generic so as to preclude infringement. *Id.* at 224, 226. "Whatever the final outcome," said the court, "we are persuaded that only a full trial on the merits . . . will properly sort out the protectability of 'CFE'." *Id.* at 229. Thus, although recognizing that a jury might ultimately find "CFE" to be generic, the court focused on the factual nature of the inquiry and the need for a full trial on the merits. Unlike the *Society of Fin. Exam'rs* case, such evidence and fact-findings have already been had in this case, and there was no basis for the Fifth Circuit to simply disregard the evidence that supported the jury's verdict.

The only other case cited by the court was *American Cyanamid*, in which the trial court enjoined the use of the mark "HibVAX" because it was "potentially" confusingly similar to the protected mark, "HIB-IMUNE." *American Cyanamid Corp. v. Connaught Lab., Inc.*, 800 F.2d 306 (2d Cir. 1986). Recognizing that "Hib" was a generic term for the disease "haemophilus influenzae type b," the Second Circuit reversed, holding that a trademark infringement "cannot be based on the use of a generic or descriptive term such as 'Hib.'" *Id.* at 307. In so holding, however, the court recognized the need to consider the whole of the marks and expressly noted that the suffixes for the two marks were totally different and share "not even a letter in common." *Id.* at 308. By contrast, in this case, the suffixes of the two marks are identical – i.e., "jam."

Moreover, the Second Circuit also pointed out that there was absolutely no proof of either deceptive use connected with the "HibVAX" mark or of any intent to create confusion. *Id.* Here, Clear Channel's own employees testified that confusion and deception were intended. (8R 388, 505-06, 523) There was also other circumstantial proof of Clear Channel's deceptive use of the mark as reflected in its use of the Roman numeral "V" and its advertising ploys, all of which were designed, not merely to inform the public that a summer concert was planned, but to invoke confusion

as to the source of the concert by linking "Summer Jam" to the prior "Uncle Sam Jam" events. (*See infra,* at 2-7; SBAC Br. for Appellee/Cross-Appellant at 18-26)

B. The Fifth Circuit misperceived the basic nature of genericness.

The standard example on the concept of genericness is that Apple Computer cannot claim a trademark infringement against a grocer who uses the word "apple" to indicate the fruit sold in his store. This example was actually part of the instruction that was given to the jury, and Clear Channel made no complaint about it. (4R 865-893; 11R 1137) As the example of the "apple" demonstrates, a generic term is a "name of a particular genus or class of which an individual article or service is but a member." *Zatarain's*, 698 F.2d at 789. Generic terms connote the basic nature of articles or services rather than the more "individualized characteristics of a particular product." *Id.* "Jam" unlike "apple" simply does not describe the basic nature of anything, but rather connotes the very individualized nature of SBAC's concert series, particularly in the consumer's mind.

The mere fact that the term "apple" would sometimes be considered generic does not mean that the use of "apple" in a mark can never give rise to an infringement. To the contrary, there are a great many cases in which the use of a superficially generic term has given rise to a trademark infringement.[11]

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11 *See, e.g., Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144 (3d Cir. 1953) ("Cotton Tips" was not generic and was held to infringe against "Q-Tips."); *Kenner Parker Toys, Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350 (Fed. Cir. 1992) ("Fun Dough" was not considered generic, but was recognized as creating a likelihood of confusion with "Play-Doh."); *Coca-Cola Co. v. Clay*, 324 F.2d 198 (C.C.P.A. 1963) (Though "cola" was recognized as a "common descriptive term," the mark "Cup o'Cola" was held to create a likelihood of confusion with "Coca-Cola.").

When reviewed in light of other Fifth Circuit opinions on the topic of genericness, it is apparent that the court's holding here is truly anomalous. Just ten years ago, the Fifth Circuit demonstrated how a seemingly generic word—"fish"—can be transformed into a descriptive, arbitrary, or suggestive term depending on the context of the mark in which it is used. *Union Nat'l Bank of Tex., Laredo v. Union National Bank of Tex., Austin*, 909 F.2d 839, 846 (5th Cir. 1990). If it is used to describe a type of market, as in "fish market," it is a descriptive term. *Id.* When used in the phrase "FishWear" for dive clothing, "'fish' may be suggestive if the intent is to suggest that divers who wear this clothing will be able to 'swim like a fish.'" *Id.* Finally, if the word "fish" were used in the name of a product that is not related to anything that has to do with fish, like "Fish National Bank," the term would be arbitrary. *Id.* at 847. This understanding of the workings of generic words within the larger context of a mark does not even surface in the Fifth Circuit's consideration of the word "jam." Instead, the court completely abdicated its duty to follow its own precedent by holding that the word "jam" is a generic term, and thus, "summer jam" is too.

Whether or not the justices of the court of appeals believe that the word "jam" within the mark "Summer Jam" is generic is irrelevant.[12] The issue is whether there was any evidence for the "fact-finder to determine what the perception of the purchasing public was." *Lane Capital Mgt., Inc. v. Lane Capital Mgt. Inc.*, 192 F.3d 337, 344 (2d Cir. 1999). And as already detailed, there was plenty of evidence from which the fact-finder could glean that perception. So it was improper for the Fifth Circuit to substitute its own opinion. Although "appellate judges are a part of the composite of the

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12 That the Fifth Circuit thought this is doubtful anyway, given that one of the Justices stated during oral argument that the word "jam" to him means "jelly."

general public, [ ] they represent only a tiny fraction of the whole, which necessarily encompasses a wondrous diversity of thought." *In re Mavety Media Group, Ltd.*, 33 F.3d 1367, 1371 (Fed. Cir. 1994).

The fact-finder, based upon all of the evidence it reviewed, obviously agreed with SBAC's trademark expert, David Henry. He testified that "Uncle Sam Jam" and "Summer Jam" were in the suggestive category of marks. (8R 422) According to Henry, when looking at the mark to determine its type and strength, one should not dissect the mark but should instead consider the overall commercial impression that the mark conveys. (8R 425) Henry stated that the marks were in the suggestive category because the word "jam" is suggestive of a jam session, an informal gathering, inviting the public to come on out. (8R 425, 429) A suggestive term suggests, rather than describes. *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178 (5th Cir. 1980). And the term "Uncle Sam Jam" suggests what it is, but still requires the consumer to exercise his imagination to reach a conclusion as to the nature of the product. *Id.*

Again, past opinions should have been the path followed by the Fifth Circuit here, but were not. It ignored its own statement that a good "starting place," for determining type of mark is frequently "the dictionary definition" of a word. *Union Nat'l Bank*, 909 F.2d at 847. While searching everywhere but in the record to support its finding that the term "jam" was generic, the court ignored the dictionary meaning of "jam." Probably because the definition is inconsistent with the finding that the mark as a whole is generic. The word "jam" typically connotes either "fruit boiled with sugar until thickened," or to squeeze, block, or wedge something into a confined space. WEBSTER'S NEW DICTIONARY AND THESAURUS. This only lends support to the argument that the mark is suggestive and not generic. "Jam" neither names a genus or class of services of which SBAC's concerts were a member, nor connotes the basic nature of the service: namely a summer "hip-hop" concert series.

Zatarain's, 698 F.2d at 789. Even if "jam" were considered to be, by itself, a generic term, the marks "Uncle Sam Jam" and "Summer Jam" should still be recognized as suggestive marks as a whole.

The Fifth Circuit itself has explained how a seemingly generic word can be part of a mark that, as a whole, is properly considered suggestive:

> The whole, in trademark law, is often greater than the sum of the parts. Common words in which no one may acquire a trademark because they are descriptive or generic may, when used in combination, become a valid trademark.

Association of Coop. Members, Inc. v. Farmland Indus., Inc., 684 F.2d 1134 (5th Cir. 1982), *quoted with approval in Taco Cabana Int'l v. Two Pesos, Inc.*, 932 F.2d 1113 (5th Cir. 1991), aff'd, 505 U.S. 763 (1992); *see also In re Colonial Stores, Inc.*, 394 F.2d 549 (C.C.P.A. 1968) (explaining how "Sugar & Spice" could be a valid trademark for a bakery product even though each of the two terms alone would be merely generic); *see also* McCarthy at §11.26. Similarly, even if one concludes here that Clear Channel's use of the term "summer" is akin to the grocer's use of "apple," and even if the term "jam" were also considered to be generic (a fact that Clear Channel did not conclusively establish and for which there is significant contrary evidence), each term would still be merely one part of the whole. And, the whole of "Summer Jam" is not generic. (8R 422-29, 460)

In particular, "Summer Jam" is not generic when it is considered in the manner that Clear Channel actually used it. Up until the day before the concert, Clear Channel used the mark with a Roman numeral "V" – i.e., as "Summer Jam V." This was a blatant attempt on Clear Channel's part to suggest

to consumers that it had produced the four previous "Uncle Sam Jam" concerts—when it had not—SBAC had. (6R 33-34, 47-49, 113-15; 8R 387, 401, 503-04, 522, 705; 9R 688-89) This is a critical fact that the court completely overlooked.

The name "Summer Jam" was intended, by its similarity of sound, to link consumers to the "Uncle Sam Jam" concerts, and by adding the Roman numeral "V," the mark went even further so as to tell consumers that "Summer Jam" was the fifth concert in a series. (8R 388, 433) Thereby, it told consumers that "Summer Jam" came from the same place as the preceding four concerts – i.e., from the same place as the "Uncle Sam Jam" concerts. Thus, Clear Channel used the mark, not merely to tell consumers "what the product is," but also to confusingly tell them "where it came from." *See Society of Fin. Exam'rs*, 41 F.3d at 227.

CONCLUSION AND PRAYER

For the foregoing reasons, SBAC respectfully requests this Court to grant the petition for writ of certiorari and reverse the Fifth Circuit, affirm that portion of the trial court's judgment that upholds the jury verdict and remand SBAC's cross-issues for consideration to the Fifth Circuit. In the alternative, SBAC respectfully requests that this Court reverse the Fifth Circuit's judgment as to the issues of genericness and tortious interference damages, and remand to the Fifth Circuit with instructions to consider all points briefed by the parties.

Respectfully submitted,
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(Any footnotes trail end of each document)
No. 98-51200

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff-Counter Defendant-Appellee-Cross-Appellant,

v.

CLEAR CHANNEL BROADCASTING, INC.; BILL STRUCK; JIM PAUL,
Defendants-Counter Claimants-Appellants-Cross-Appellees,

JOHN CANDELARIA,
Defendant-Appellant-Cross-Appellee.

April 12, 2000, Decided

COUNSEL:
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JUDGES:
Before REYNALDO G. GARZA, HIGGINBOTHAM, and BENAVIDES, Circuit Judges.

OPINIONBY:
BENAVIDES

OPINION:

BENAVIDES, Circuit Judge:

Appellants-cross-appellees Clear Channel Broadcasting, Inc., Bill Struck, Jim Paul, and John Candelaria (collectively "Clear Channel") appeal from a jury verdict in favor of appellee-cross-appellant Small Business Assistance Corp. ("SBAC") on its claims of trademark infringement under that Lanham Act and tortious interference with prospective economic advantage. Upon consideration of the parties' briefs and argument on appeal, as well as a review of the record, we reverse the judgment with respect to both claims and render judgment on both claims in favor of Clear Channel.

Clear Channel contends, and we agree, that the infringement claim must fail because the allegedly infringing mark, "Summer Jam," was generic. The testimony and record evidence lead to the inescapable conclusion that "Summer Jam" is a generic term for a musical concert occurring during the summer months. Therefore, "Summer Jam" cannot

infringe SBAC's mark, "Uncle Sam Jam. " A trademark cannot be infringed by the generic term for the product it designates. See *American Cyanamid Corp. v. Connaught Lab., Inc., 800 F.2d 306, 307 (2d Cir. 1986)* ("A trademark holder cannot appropriate generic . . . terms for its exclusive use, and a trademark infringement finding thus cannot be based on the use of a generic . . . term[.]"); *Dranoff-Perlstein Assocs. v. Sklar, 967 F.2d 852, 861 (3d Cir. 1992)* (same). This is true even if consumers are confused by a competitor's use of a generic term. See Society of Fin. *Exam'rs v. National Ass'n of Certified Fraud Exam'rs, Inc., 41 F.3d 223, 225 (5th Cir. 1995)* ("Even total confusion, however, is irrelevant if 'CFE' constitutes a 'generic' mark."). Accordingly, the lower court's determination that "Summer Jam" was not generic is unsupported by the record and must be reversed.

Because we conclude that SBAC's Lanham Act claim fails, we need not address the issues of abandonment, fraudulent registration, additional attorney's fees, or prejudgment interest on the trademark infringement recovery amount. However, we must vacate both the $ 78,000 award for trademark infringement and the $ 27,650 award of attorneys' fees under the Lanham Act.

With respect to the claim for tortious interference with prospective economic advantage, we reverse the award of all damages as to all defendants in the case. We agree with Clear Channel that no evidence supports the damages element of a tortious interference claim.[1] At best, SBAC's proof on this issue was speculative. SBAC simply was unable to demonstrate that any of the egregious behaviors[2] alleged to be tortious caused any economic damage with respect to the 1996 Uncle Sam Freedom Festival.[3] Though SBAC suffered $ 23,000 in losses on the 1996 Uncle Sam Freedom Festival, the record does not support attributing that loss to Clear Channel's actions.[4] We therefore reverse the tortious

interference damages award in the amount of $ 1,045,800 against Clear Channel, the $ 199,700 award against John Candelaria, the $ 274,700 award against Bill Struck, and the $ 25,900 award against Jim Paul.

Because of our reversal of the tortious interference claim, we need not address the issues of the punitive damages cap, the prejudgment interest for the tortious interference award, and the personal liability of Bill Struck, Jim Paul, and John Candelaria.

We conclude that the judgment of the lower court must be reversed, and we dismiss all claims against Clear Channel.

REVERSED and RENDERED.

----------Footnotes----------

[1] Though this issue is not properly before us, as neither party has raised it, we have reservations that tortious interference with prospective economic advantage exists, as such, under Texas law. The closest analogue appears to be tortious interference with prospective business relations. The elements of that tort require: (1) a reasonable probability or expectation of entering into a contractual relationship; (2) intentional and malicious conduct by the defendant that prevents consummation of the contract; (3) no justification or privilege shields the defendant; and (4) actual harm or damages caused by defendant's conduct. See *AT&T Corp. v. Southwestern Bell Tel. Co., 2000 Tex. App. LEXIS 193, 2000 WL 14711* (Tex. App.-Dallas), at *3 (unpublished).

[2] Specifically, SBAC alleged that John Candelaria, a disc jockey at Power 102, a hip hop station owned by Clear Channel, called Def Jam records and threatened to blackball all Def Jam artists if Montel Jordan, SBAC's headliner, played at the 1996 Uncle Sam Freedom Festival. Moreover, SBAC averred that John Candelaria announced on the air that Montel Jordan would not be performing, and that SBAC had

canceled the 1996 Uncle Sam Freedom Festival because of rain. Finally, SBAC presented evidence that Clear Channel parked its own van outside the 1996 Uncle Sam Freedom Festival grounds and distributed free t-shirts and other paraphernalia bearing the Power 102 logo.

[3] SBAC conceded at oral argument that it presented no evidence that any artist refused to perform at the 1996 Uncle Sam Freedom Festival because of John Candelaria's alleged threats, that it failed to produce evidence of even a single person who forwent attendance at the 1996 Uncle Sam Freedom Festival because he thought it had been canceled, and that it likewise proffered no evidence that the Power 102 van outside the Uncle Sam Freedom Festival grounds deterred even a single patron from entering the concert.

[4] SBAC relies on the testimony of its expert which projected the supposed losses suffered by SBAC over 5, 15, and 30 years. Though SBAC repeatedly characterized this testimony as being based on "objective evidence," the expert testimony in fact provides no basis of an award for damages without engaging in, not merely speculation, but unfounded speculation. Quite simply, with the 1996 Uncle Sam Freedom Festival, SBAC launched a new concert format, featuring a new kind of music and sponsored by a new radio station, and it had absolutely no baseline from which to measure its profits. "Profits which are largely speculative, as from . . . promotion of untested products or entry into unknown or unviable markets . . . cannot be recovered." *Texas Instruments, Inc. v. Teletron Energy Management, Inc., 877 S.W.2d 276, 279 (Tex. 1994);* see also *Harper Bldg. Sys., Inc. v. Upjohn Co., 564 S.W.2d 123, 126* (Tex. App.-Beaumont 1978, no writ) ("In the cases denying recovery where the business is new or unestablished, the reasons for such denial are that before the establishment of the business profits could not have been made and could not be used in reasonably anticipating profits to be made in the future[.]").

Even were we not to consider the 1996 Uncle Sam Freedom Festival to be a start-up venture, SBAC's evidence of lost profits would still be too speculative to support recovery. Since SBAC lost $ 23,000 on its 1996 concert, none of which losses was attributable to Clear Channel's conduct-all of which was committed prior to and related to the 1996 Uncle Sam Freedom Festival-the projection of lost profits for the years after 1996 constitutes speculative evidence, not just as to SBAC's projected profits, but also that such losses of profits were attributable to Clear Channel's behavior.

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Date: 11/10/98

AMENDED JUDGMENT

The Court entered a judgment (docket no. 126), after which several post-judgment motions were filed. Based on the rulings on those motions, the judgment must be changed.

The Court held a jury trial in this case and presented the jury a list of interrogatories at the close of evidence. The jury's answers to the interrogatories show that the defendants earned $78,000.00 in profits from the use of SUMMER JAM and/or SUMMER JAM V for the concerts at issue in 1996 and 1997. The amount the jury determined for lost profits was greater than the amount of actual damages they found that plaintiff incurred in regard to the trademark-related claims and claims for false advertising. Plaintiffs are entitled to the greater of lost profits or actual damages. Therefore, $78,000.00 of lost profits are awarded against the defendants, jointly and severally, as damages for the trademark-related claims and claims for false advertising.

In regard to the claims for interference with prospective economic advantage, the jury found that the plaintiff suffered actual damages. In accordance with the jury's answers to the interrogatories, actual damages are awarded against the defendants in the following amounts: $348,600.00 against Clear Channel Metroplex, Inc. d/b/a KHEY/KPRR; $49,800.00 against John Candelaria; $74,700.00 against Bill Struck; and $24,900.00 against Jim Paul. In regard to the claims for interference with prospective economic advantage, the jury found that the plaintiff suffered punitive damages in the following amounts: $5,000,000.00 against Clear Channel Metroplex, Inc. d/b/a KHEY/KPRR; $150,000.00 against John Candelaria; $300,000.00 against Bill Struck; and $1,000.00 against Jim Paul. Due to the statutory cap on punitive damages, the amounts of punitive damages as to Clear Channel Metroplex, Inc. *d/b/a* KHEY/KPRR and Bill Struck can be no greater than $697,200.00 and $200,000.00, respectively.

It is, therefore, ORDERED that plaintiff Small Business Assistance Corporation recover from Clear Channel Metroplex, Inc. d/b/a KHEY/KPRR the sum of $1,045,800.00, from John Candelaria the sum of $199,800.00, from Bill Struck the sum of $274,700.00, from Jim Paul the sum of $25,900.00, and from all defendants jointly and severally, the sum of $78,000.00, plus costs of court and post judgment interest. As to the $78,000.00 sum, plaintiff shall recover interest from the defendants at the rate of 5.271% from the date of judgment. As to all other sums, the plaintiff shall recover interest from the defendants at the rate of 10% from the date of judgment. Plaintiff shall also recover from all defendants, jointly and severally, attorneys' fees in the amount of $27,650.25, with interest at the rate of 5.271% from the date of judgment.

SIGNED this 10th day of November, 1998.

John W. Primomo

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Filed: 11/10/98

ORDER

The Court has entered a judgment in this case in favor at plaintiff based on the verdict rendered by the jury. Before the Court is Plaintiff's Motion To Alter The Judgment. Docket no. 127. Plaintiff asserts various arguments for altering the judgment. Upon consideration, the Court believes that the motion should be granted in part and denied in part.

Discussion

1. Damage Award Regarding Profits

Plaintiff Small Business Assistance Corporation (SBAC) is entitled to gross profits less the expenses proven at trial. The jury awarded $78,000 in lost profits; but plaintiffs believe that the correct amount should be $113,706.12. SBAC's motion fails to fully explain how the amount of $113,706.12 was derived. On that basis alone, the Court

should not alter the damage award regarding profits. More important, however, the Court finds that the defendants met their burden of proving expenses, and the jury had a sufficient evidentiary basis for their finding in regard to profits. Therefore, as to the issue of profits, the motion to alter the judgment should be denied.

2. Treble Damages

SBAC contends that the award of damages on the trademark-related claims should be trebled. 15 U.S.C. § 1117(a) provides that: "In assessing damages the Court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount." However, any such award shall constitute compensation, not a penalty. Id.

As stated by SBAC, the Court has the discretion to increase the award. SBAC contends that the award of damages should be trebled because the defendants acted willfully, and the tabulation of profits by defendants was highly questionable. The Court disagrees. Defendants provided sufficient information to permit a reliable tabulation of profits. Although there is sufficient evidence to support a finding of willful conduct by the defendants, the Court finds that increasing the amount of damages found by the jury would constitute a penalty. Therefore, the motion to alter the judgment should be denied in regard to the request to treble the jury' s award of damages.

3. Prejudgment Interest For Trademark-Related Claims

15 U.S.C. § 1117(a) does not authorize or forbid prejudgment interest on damage awards under that section. Due to the absence of statutory directive, the availability of prejudgment interest on such claims is left to the discretion of

the court. Aris Isotoner, Inc. v. Dong Jin Trading Co., Inc., 17 U.S.P.Q. 1017, 1025 (S.D.N.Y.1989). SBAC contends that prejudgment interest on the trademark-related claims should be awarded because it is required under 15 U.S.C. 1117(b) for defendants that have intentionally infringed upon a trademark. However, 15 U.S.C. 1117(b) applies only in cases involving a counterfeit mark, and as a result, it is not applicable to this case. SBAC also contends that prejudgment interest should be awarded because the defendants willfully if ringed upon SBAC's trademark. Although equitable principles suggest that prejudgment interest should be awarded, that must be considered together with compensatory principles that suggest that the damages at issue represent not an actual loss, but simply a disgorging of profits. *Id.* at 1026. On the basis that the damages do not represent an actual loss, the Court finds that an award of prejudgment interest on the trademark related claims should not be awarded. In that regard, the motion to alter should be denied.

4. Prejudgment Interest For State-law Claims

SBAC seeks prejudgment interest for the award of damages in regard to the claims for interference with prospective economic advantage. The damages for interference was based, in part, on evidence that SBAC lost the ability to produce a concert in the future. In that regard, the jury was presented with evidence of damages resulting from lost profits in the future. Under Texas law, prejudgment interest is not available for future damages. *Cavnar v. Quality Control Parking, Inc.*, 696 S.W.2d 549, 555 (Tex.1985) . The jury was asked for a single damage figure as to each defendant regarding the interference claims. When damages are awarded for past and future losses in a single lump sum, prejudgment interest may not be recovered on that award of damages. *Id.* at 556. Therefore, SBAC is not entitled to

prejudgment interest on the interference claims, and the motion to alter should be denied in that regard.

5. Postjudgment Interest On State-Law Claims

Plaintiff contends that the Court should alter the judgment by imposing a 10% postjudgment interest rate on the state-law claims. Defendants do not contest this issue. Therefore, as to postjudgment interest on the state-law claims, the motion to alter should be granted.

Conclusion

As to the imposition of a 10% postjudgment interest rate, the motion to alter the judgment should be GRANTED. In all other respects, the motion should be DENIED. It is so ORDERED.

SIGNED this 10th day of November, 1998.

John W. Primomo
United States Magistrate Judge

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Filed: 11/10/98

ORDER

Before the Court is plaintiff's motion for attorneys' fees and costs. Docket no. 29. Plaintiff seeks an award of attorneys' fees that will reflect the total amount of time that plaintiff's counsel spent working on this case. Under the Lanham Act, 15 U.S.C. § 1117 (a), the Court may award attorneys' fees and costs to the prevailing party in "exceptional" circumstances. In addition to the claims under the Lanham Act, plaintiff's successfully prosecuted state tort claims, which yielded approximately 95% of the total damage award. In Texas, attorneys' fees may not be recovered for tort claims. So, the requested award must reduced to the extent that it includes time spent prosecuting the tort claim. The defendants raised the issue of duplication of effort, which causes the Court to closely scrutinize the fee request. For these reasons the Court will award fees and costs at an amount that reflects less than the total amount of time that plaintiff's counsel spent working on this case.

Background

Plaintiff seeks $256,875 as a fair and reasonable amount of attorneys' fees in its effort to prosecute and defend itself in this case. Accompanying the request are billing statements from the three attorneys that represented the plaintiff. Raul Rios served as lead counsel, Thomas Laneaux assisted Mr. Rios in pre trial preparation and sat as third-chair during trial, and David Rodriguez assisted mainly as second-chair during trial. Mr. Rios charged 907 hours of work at $150/hour, which totaled a fee of $136,050. Mr. Laneaux charged 604.5 hours of work at $150/hour, which totaled a fee of $90,675. Mr. Rodriguez charged 201 hours of work at $150/hour, which totaled a fee of $30,150.

Discussion

The Lanham Act provides that the Court may award attorneys' fees and costs to the prevailing party in "exceptional cases." 15 U.S.C. § 1117(a). "An exceptional case is one where the violative acts can be characterized as malicious, fraudulent, deliberate, or willful." *Moore Business Forms, Inc. v. Ryu,* 960 F.2d 486, 491 (5th Cir.1992). In determining whether a case is exceptional, the Court should consider all the facts and circumstances of the action. *CJC Holdings, Inc. v. Wright & Lato, Inc.,* 979 F.2d 60, 65 (5th Cir.1982). Even though a case is exceptional, the decision to grant an award of fees and costs remains within the discretion of the trial court. *Burger King Corp. v. Pilgrim's Pride Corp.,* 15 F.3d 166, 168 (11th Cir.1994). Based on the evidence presented at trial and the findings made by the jury, the Court finds that the defendants acted willfully. Therefore, the Court concludes that this is an exceptional case and that an award of attorneys' fees and costs is appropriate.

1. The Standard

It is appropriate to employ a lodestar formula to determine a reasonable amount of fees that should be awarded in regard to Lanham Act claims, with consideration given to special factors. A lodestar formula is a calculation where a reasonable figure for the number of hours worked is multiplied by a reasonable rate for attorney's fees.

The Supreme Court has set forth the controlling standard for determining an award of attorney's fees. "The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate." *Hensley v. Eckerhart,* 461 U.S. 424, 433, 103 S.Ct. 1933, 1939, 76 L.Ed.2d 40 (1983) . This sum can then be adjusted upward or downward as a result of the Court's consideration of the degree of success obtained and the special factors set forth in *Johnson v. Georgia Highway Express, Inc.*, 488 F. 2 d 714, 717-719 (5th Cir.1974), which include:

> (1) the time and labor required; (2) the novelty and difficulty of the questions; (3) the skill requisite to perform the legal service properly; (4) the preclusion of other employment by the attorney due to acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorneys; (10) the "undesirability" of the case; (11) the nature and length of the professional relationship with the client; and (12) awards in similar cases.

Hensley, 461 U.S. at 434 n.9, 103 S.Ct. at 1940 n.9. *Hensley* noted that the lodestar calculation subsumes many of these factors. *Id.* There is a strong presumption that the lodestar formula represents a reasonable fee. *Blanchard v. Bergeron,* 489 U.S. 87, 95, 109 S.Ct. 939, 945, 103 L.Ed.2d 67 (1989). A circuit court has reasoned that the Court's most careful inquiry is concentrated on the claimed hours and rates used in the formula because the lodestar formula subsumes several relevant considerations and there is a presumption of reasonableness as to the resulting amount for attorney's fees,. *Mares v.Credit Bureau of Raton,* 801 F.2d 1197, 1201-02 (10th Cir.l986). The Supreme Court has been careful to note, however, that the most critical factor in determining a reasonable fee is the degree of success obtained, and that a lodestar formula may yield an unreasonable amount if a plaintiff has achieved only partial or limited success. *Hensley,* 461 U.S. at 436, 103 S.Ct. at 1941.

2. Lanham Act Claims v. State Law Claims

The defendants object to the plaintiff's request to seek fees and costs under the Lanham Act for time and expenses incurred in regard to the state law claims. Although an award is appropriate under the Lanham Act, attorneys' fees and costs may not be recovered for tort claims in Texas. *Knebe!v. Capftal Nat'l Bank,* 518 S.W.2d 795, 803-04 (Tex.l974). When multiple causes of action or multiple parties are involved, the party who asserts those causes must separate those hours for which fees may be recovered from those hours for which fees cannot be recovered. *Stewart Title Guar. Co. v.Aieio,* 941 S.W.2d 68, 74 (Tex.1997); *Stewart Title Guar, Co. v. Sterling,* 822 S.W.2d 1, 10-11 (Tex.1991) . "A recognized exception to this duty to segregate arises when the attorney's fees rendered are in connection with claims arising out of the same transaction and are so interrelated that their prosecution or defense entails proof or denial of

essentially the same facts." *Sterling,* 822 S.W.2d at 11 (quotations and citation omitted). While the largest part of the jury verdict was awarded in connection with the state law claims, plaintiff asserts that the vast majority of the attorney time and expense was incurred in prosecuting the Lanham Act claims Plaintiff also stresses that counsel was required to spend a great deal of time and effort in learning and preparing this case for trial.

Plaintiff made no attempt to segregate the attorneys' fees among the claims asserted or the parties sued. Plaintiff also failed to show how or why the claims asserted were so interrelated that their prosecution entailed proof of essentially the same facts. The Lanham Act claims were based on the infringement of the plaintiff's trademark. In contrast, the claims for interference with prospective economic advantage were based upon the dissemination of false information on the radio about plaintiff's concert, actions taken that increased the cost of the musical artists at plaintiff's concert, and the defendants' willfulness in taking such actions. Thus, the prosecution of the interference claims did not entail proof of the same facts that showed trademark infringement. Plaintiff was able to segregate the amount of time expended in defending against the defendants' counterclaim under the Lanham Act. Since plaintiff was able to segregate *the* fees as to the counterclaim, then it should be able to segregate the fees as to the interference claims. Although it may be a difficult task to segregate between each defendant in regard to each claim, an adjustment could reasonably be made that reflects the proportion of damages awarded against each defendant.

Due to plaintiff's failure to segregate between the amount of time spent as to each claim and each defendant, the Court will apportion the amount of hours spent on the tort claims by using the proportion of tort damages to total

damages. Plaintiff contends that most of its attorneys' time was used in regard to the Lanham Act claim, and in particular, in learning and preparing the case for trial. The time spent learning about the particulars of trademark law should not be charged to the defendants. Although the trial preparation time for the Lanham Act claims may be reduced, plaintiff might have avoided such a reduction by complying with the duty to segregate.[1]

Based on the jury's answers to the interrogatories attached to the verdict form, the Court awarded damages on the Lanham Act claims in the amount of $78,000. Based on the jury's answers to the interrogatories, the Court awarded actual damages against the defendants in the following amounts on the tort claims:

$348,600	Clear Channel Metroplex d/b/a KHEY/KPRR
$49,800	John Candelaria
$74,700	Bill Struck
$24,900	Jim Paul

The total amount of actual damages on the tort claims is $498,000. The $78,000 damage award for the Lanham Act claims represents approximately 13 .5% of the entire damage award. Based upon this figure and counsel's representation that the vast majority of time was spent prosecuting the Lanham Act claim, the Court shall allow plaintiff's counsel to recover 20% of fees reasonably expended.

3. Fee Analysis

The defendants contend that the Court should not rely upon the affidavits of plaintiff's counsel in determining the number of hours reasonably expended in pursuit of the successful Lanham Act claims. In addition to the defendants'

arguments already discussed, the defendants contend that the reported hours of plaintiff's counsel are repetitive and duplicative. In particular, the defendants point out that Mr. Laneaux's participation as third chair during trial was minimal. The Court agrees, and notes that the defendants had only two attorneys to represent them in this case. The defendants also point out that Mr. Laneaux's pretrial participation appears to be duplicative because numerous entries of Mr. Rios and Mr. Laneaux are identical, yet there was not a legitimate need for the involvement of more than one attorney at depositions and other activities. Plaintiff points out that when compensation is sought for more than one attorney's time at depositions, hearings, negotiations or other activities, there should be a legitimate need for the involvement of more than one attorney. Despite that, plaintiff makes the conclusory statement that all hours claimed were reasonably expended in the prosecution of plaintiff's Lanham Act claims. Plaintiff fails to address the issue of duplication of effort. As it is plaintiff's motion, it is plaintiff's burden to provide an adequate explanation as to why more than one attorney was needed to undertake tasks that were also handled by another attorney. Based on plaintiff's failure to provide such an explanation, the Court finds that Mr. Laneaux's work was duplicative of the work of Mr. Rios, the lead counsel in this case. The Court finds that Mr. Laneaux's hours should be reduced by 80% after all other adjustments are made.

In regard to the hours claimed by Mr. Rodriguez, the Court finds that his participation at the trial was significant and reasonably necessary. As noted earlier, defendants were represented collectively by two attorneys. Thus, although there is overlap with the hours expended by Mr. Rios, they do not amount to an impermissible duplication of effort.

In regard to the mediation conducted by the parties in El Paso, the Court believes that no more than one attorney needed to represent plaintiff. At a minimum, no explanation was provided by plaintiff as to the necessity of representation by three attorneys. Thus, the apparent duplication of effort undermines the request for those hours. The Court notes that the number of hours claimed by each attorney includes a significant block of time attributed to telephone calls, for which there is no specific accounting as with all other hours claimed. Although each affidavit provides an approximate amount of time spent on telephone calls, no information is provided regarding dates, persons called, reason for the calls, or the length of the calls. This lack of supporting information undermines the request for those hours.

Plaintiff contends that it should be able to recover the attorneys' fees attributable to the time spent defending against the defendants' counterclaim, which the Court dismissed upon the plaintiff's motion for instructed verdict. Plaintiff is considered a prevailing party because the jury found in its favor on the Lanham Act claims and awarded more than nominal damages for such violations. As a prevailing party, plaintiff should receive an award of fees and costs associated with those claims for which it was awarded damages. Plaintiff contends that it should be awarded fees for defending against the defendants' counterclaim under the Lanham Act, but plaintiff has failed to cite any supporting legal authority. Plaintiff's request is not made under the Lanham Act, but under Fed.R.Civ.P. 11 on the basis that the counterclaim was frivolous. Although the Court instructed a verdict as to the counterclaim, that does not equate to a finding that the counterclaim was frivolous. *See Ford Motor Co. v. Summit Motor Products,* 930 F. 2d 277, 289 (3rd Cir.) , *cerL denied sub nom., Altran Corp. v. Ford Motor Co.,* 502 U.S. 939, 112 S.Ct. 373, 116 L.Ed.2d 324 (1991) (if a party's position is reasonable, a loss on the merits does not trigger

Rule 11 sanctions). Based on the evidence presented at trial, the Court finds that the counterclaim was not devoid of factual or legal support so as to subject the defendants to Rule 11 sanctions. Therefore, plaintiff is not entitled to recovery of the attorneys' fees spent defending against the counterclaim.

Plaintiff was able to segregate the amount of time expended in defending against the counterclaim under the Lanham Act. Plaintiff stated in its motion that it estimates that approximately one-fourth of its attorneys' fees were spent in defending itself from the counterclaim. Plaintiff failed to detail which attorneys spent that time. For that reason, the Court will assume that, in regard to the amount of time not attributed to the tort claims, each attorney spent 25% of his time in dealing with the counterclaim. Therefore, the Court must make an appropriate reduction in the hours claimed.

Applying the above findings the Court will be able to make the determination as to the exact fee that should be awarded. First, the Court notes the original request of each attorney:

Mr. Rios 907 hours x $150/hour = $136,050
Mr. Laneaux 604.5 hours x $150/hour = $90,675
Mr. Rodriguez 201 hours x $150/hour = $30,150

The first adjustment applies only to the hours claimed by Mr. Laneaux due to the failure to explain the overlap of his hours with the hours claimed by Mr. Rios. As mentioned earlier, his hours should be reduced by 80%, which brings his hours to 120.9. The next adjustment is to subtract the hours spent on the tort claims, for which attorneys' fees cannot be awarded. Thus, the hours claimed must be reduced as follows:

Mr. Rios	907 hours - 80% =	181.4 hours
Mr. Laneaux	120.9 hours 80%=	24.18 hours
Mr. Rodriguez	201 hours - 80% =	40.2 hours

The resulting figures are the hours attributable to the Lanham Act claims and counterclaim. The next adjustment is to reduce that figure by 25% in order to reflect the amount of time spent in defending against the counterclaim. Thus, the figures should be adjusted as follows:

Mr. Rios	181.4 hours - 25% = 136.05
Mr. Laneaux	24.18 hours - 25% = 18.135
Mr. Rodriguez	40.2 hours - 25% = 30.15

The result of the calculations yields the following fee attributable to the Lanham Act claims:

Mr. Rios136.05 hours x $150 = $20,407.50
Mr. Laneaux18.135 hours x $150=$2720.25
Mr. Rodriguez 30.15 hours x $150 = $4522.50

The total of the fees attributable to the Lanham Act claims is $27,650.25.

Conclusion

Although the Court eliminated most of the original f cc request, attorneys' fees cannot be recovered for tort claims, which produced most of the damage award in this case. Even though reductions were made for the amount of time spent on the tort claims and the counterclaim, and failure to explain the overlap in hours by Mr. Laneaux, the Court made no specific adjustment for the time attributable for the mediation with three attorneys, the block of time attributable to making phone calls, or the time spent by plaintiff's counsel in learning about the particulars of

trademark law. The Court finds that those considerations are subsumed within the lodestar formula. Therefore, despite the resulting low figure for attorneys' fees that should be awarded, the Court concludes that such amount is reasonable under the circumstances. As to the costs, the Court finds that the defendants should bear all costs since plaintiff's were awarded damages. Accordingly, the motion under consideration should be GRANTED.

The judgment in this case will reflect an award of fees and costs in accordance with the findings made in this Order.

It is so ORDERED.

SIGNED this _____ day of November, 1998.

John W. Primomo
United States Magistrate Judge

Footnotes

1 Even if plaintiff had segregated the time spent on the Lanham Act claims and the tort claims, a reduction of the hours claimed would be appropriate because the Court must be mindful of the plaintiff's degree of success on the Lartham Act claims in comparison to the entire damage award. As mentioned earlier, the Court must consider many factors when making an award of attorneys' fees, including the amount involved and the results obtained. *See Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714, 717-719 (5th Cir.1974)

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Filed: 11/10/98

ORDER

The Court has entered a judgment in this case in favor of plaintiff based on the verdict rendered by the jury. Before the Court is Defendants' Motion To Alter or Amend The Judgment. Docket no. 131. Defendants' motion argues, in part, for elimination of all damages in regard to the tort claims. The motion to alter will be denied in that regard. In the alternative, defendants seek a reduction of the award of punitive damages based on Texas' statutory limit on punitive damages. As applied to this case, that law provide that punitive damages may not exceed twice the amount of actual damages. The motion to alter the judgment will be granted in that regard because the award of punitive damages that limit.

Discussion

1. Elimination of the Damage Award on the Tort Claims

delete the award of actual and punitive damages in regard to the claims for interference with prospective economic advantage. Specifically, defendants request such action because:

> 1) Plaintiff did not specifically request punitive damages for the claims for interference with prospective economic advantage;
>
> 2) An incorrect burden of proof (preponderance of the evidence) was used with regard to the jury question on punitive damages;
>
> 3) The claims for interference with prospective economic advantage arise from the same set of facts as the trademark-related claims.
>
> 4) Plaintiff is not entitled to 30 years of actual damages.

The Court has rejected each of those arguments as a basis for granting a new trial or judgment as a matter of law, which was filed in conjunction with the motion to alter the judgment. Therefore, the Court will not alter the judgment by deleting the damages as to the tort claims.

2. Reduction Of Damages

Defendants contend that the judgment should be altered to reduce the amount of punitive damages awarded on the basis that the award exceeds Texas' statutory cap on such damages. Texas law provides that punitive damages in a case such as this may not exceed an amount equal to the greater of (1) two times the amount of economic damages (plus an amount for non-economic damages, which were not sought in this case), or $200,000. TEX.CIV.PRAC. & REM. CODE

ANN. § 41.008 (b) (Vernon 1997). Plaintiff contends that the statutory cap is inapplicable. The Court directed the parties to provide additional briefing on this issue, and will discuss the major points raised by the parties.

A. Statutory Cap Inapplicable

Plaintiff contends that the statutory cap on punitive damages in inapplicable because the claims for interference with prospective economic advantage accrued before the statutory cap became effective. The statute became effective on causes of action that accrued on or after September 1, 1995. TEX.CIV.PRAC. & REM.CODE ANN. § 41.001 historical note [Acts of 1995, 74th Leg., ch. 19, Sec. 1-2]. According to plaintiff, there was evidence that the defendants' tortious conduct commenced prior to September 1, 1995. While that may be true, the evidence could not establish that the interference claims accrued before September 1, 1995, for interference with concerts that took place in 1996 and 1997. Therefore, the Court finds that plaintiff has failed to show that the statutory cap is inapplicable to this case based on the date the claims accrued.

B. Waiver

Plaintiff argues that the statutory cap on punitive damages should be considered an affirmative defense that was waived as a result of the defendants' failure to plead it. Defendants contend that the statutory cap is not an affirmative defense, or that it is not too late to assert the statutory cap.

Fed.R.Civ.P. 8(c) requires that affirmative defenses be pleaded. The general rule is that the failure to plead an affirmative defense results in the waiver of that defense. *Lucas v. U.S.*, 807 F.2d 414, 417 (5th Cir.1986) . However,

the defensive issue is not considered waived if it was raised at a "pragmatically sufficient" time and the other party was not prejudiced in its ability to respond. *Id.* "Central to requiring the pleading of affirmative defenses is the prevention of unfair surprise." *Ingrahamv. U.S.,* 808 F.2d 1075, 1079 (5th Cir.1987)

Rule 8(c) provides a non-exhaustive list of defenses that must be pleaded affirmatively:

> [A]ccord and satisfaction, arbitration and award, assumption of risk, contributory negligence, discharge in bankruptcy, duress, estoppel, failure of consideration, fraud, illegality, injury by a fellow servant, laches, license, payment, release, res judicata, statute of frauds, statute of limitations, waiver, and any other matter constituting an avoidance or affirmative defense.

Fed.R.Civ.P. 8(c). Notably, the list does not include a statutory cap on punitive damage. The issue becomes whether, under the residuary clause of Rule 8 (c), the statutory cap is properly considered an "avoidance."

Plaintiff points out that the Fifth Circuit held that the Texas cap on medical malpractice damages is an "avoidance" within the meaning of Rule 8(c) and must be affirmatively pleaded. *Ingraham,* 808 F.2d at 1079. However, *Ingraham* dealt with actual damages, which are different in nature from punitive damages. Actual damages compensate the victim, whereas punitive damages serve the function of punishing the defendant. The Ninth Circuit made a distinction between economic and non-economic damages, which closely resembles the issue before the Court. In *Taylor v. U.S.,* the

Ninth Circuit held that a California limitation on non-economic damages caused by professional negligence was a limitation on damages rather than an affirmative defense. 821 F.2d 1428, 1433 (9th Cir.), *cert denied,* 485 U.S. 992, 108 S.Ct. 1300, 99 L.Ed.2d 510 (1987). Therefore, due to the lack of controlling authority, the difference in nature of actual and punitive damages, and the holding in *Taylor,* the Court finds that the statutory cap on damages is not an affirmative defense. As such, there is no waiver.

Even if the statutory cap on punitive damages is considered an affirmative defense, the defendants raised the issue at a pragmatically sufficient time, thus precluding a finding of waiver. A determining factor in cases addressing this issue of timeliness is the presence or absence of unfair surprise to the plaintiff. Plaintiff has cited to several cases that have held that the failure to plead an affirmative defense can be prejudicial. The reasons that under gird such cases are instructive.

In Jakobsen v. Mass. Port Auth., a Massachusetts cap on actual damages was raised for the first time in a motion for directed verdict. 520 F.2d 810, 812 (1st Cir.1975). At issue in that case was a statute that made the defendant liable for "defect or want of repair of ways" as a result of the plaintiff's slip and fall. *Id.* The *Jakobsen* court noted that where there is no prejudice and when fairness dictates, the requirement to plead an affirmative defense may be relaxed. *Id.* at 813. However, the *Jakobsen* court found no error on the part of the trial court in denying the statutory defense because the defense presented three major questions, such as whether the place where the plaintiff fell was a "way" within the meaning of the statute, and whether the slipperiness of the walk was a "defect." *Jakobsen,* 520 F. 2d at 814. The *Jakobsen* court also noted that prejudice was not limited to reducing the amount of the plaintiff's time in addressing such

issues, but it also limited the judge's ability to focus on the facts or instruct the jury as to their role in applying the statute. *Id.* at 816. The factors in *Jakobsen* that warranted the denial of the statutory cap on damages do not exist in this case. Other than the timing of the defense, no significant legal questions must be resolved before applying it. The Court is not prejudiced by the defendants' failure to plead the damage cap because the statute at issue provides that the cap may not be made known to the jury by any means, including through evidence, argument or instruction. TEX.CIV.PRAC.&REM CODE ANN. § 41.008(e). Therefore, the Court finds that *Jakobsen* does not favor a finding that the failure to plead the damage cap prejudiced the plaintiff in its ability to respond to the defense.

Prejudice has been found where the untimely presented affirmative defense requires presentation of evidence to either prove or disprove the defense. In *Simon v. U.S.*, the Fifth Circuit held that the trial court did not abuse its discretion in denying a Rule 59 motion that sought to amend the judgment in that case on the basis that a Louisiana statute limited damages in medical malpractice cases. 891 F.2d 1154, 1159 (5th Cir.1990). The *Simon* court found that the applicability of the statute involved the constitutionality of the statute, which depended upon resolution of factual issues. *Simon,* 891 F.2d at 1159. On that basis, the *Simon* court held that the denial of the defense was appropriate. Plaintiff contends that a cap on punitive damages is unconstitutional because "plaintiffs would be prevented from properly being redressed and/or made whole." However, punitive damages are considered punishment rather than compensation for plaintiffs. *I-Gotcha,Inc. v. McInnis,* 903 S.W.2d 829, 840 (Tex.App. --Ft. Worth 1995, writ denied). Also, public policy is best served by having punitive damages related to the total amount of actual damages awarded by the jury. *Id.* More importantly, plaintiff has f ailed to identify any

factual issues that must be resolved to decide the constitutionality of the damage cap. Therefore, the plaintiff's claims regarding the unconstitutionality of the damage cap are without merit. In our case, there are no factual issues presented by the application of the punitive damage cap. Accordingly, the Court finds that *Simon* does not favor a finding that the failure to plead the damage cap prejudiced the plaintiff in its ability to respond to the defense.

Another source of prejudice exists where the plaintiff could have sought a different recovery in order to avoid the application of the affirmative defense. In *Ingraham v. U.S.*, the Fifth Circuit held that the untimely asserted Texas statutory limit on medical malpractice damages was waived because it created unfair surprise.808 F.2d at 1079. The *Ingraham* court reasoned that defendants should not be permitted to lay behind the log and ambush plaintiffs with an unexpected defense. 808 F.2d at 1079. The *Ingraham* court noted that plaintiff would have made a greater effort to prove damages not subject to the cap at issue. *Ingraham,* 808 F.2d at 1079. Unlike the plaintiff in *Ingraham,* the plaintiff in our case could not have avoided the application of the punitive damage cap by proving a different type of damages. The damage cap simply limits punitive damage recovery to twice actual damages or $200, 000, whichever is greater. Thus, the damage cap provides an incentive to prove the greatest amount of actual damages, which are the only damages not subject to the cap. In this regard, our case is similar to a Fifth Circuit case that involved the Texas statutory cap on medical malpractice damages that was raised for the first time at trial. In *Lucasv.U.&,* the Fifth Circuit held that the issue was raised at a "pragmatically sufficient time" because the plaintiffs were not prejudiced in the ability respond. 807 F.2d at 418. The *Lucas* court reasoned that the plaintiffs had full opportunity to develop damages not subject to the cap because the cap simply limited the amount of recovery on the

damages that are proven. *Id.* Therefore, due to the plaintiff's full opportunity to prove damages not subject to the cap, the Court finds that *Ingraham* does not favor a finding that the failure to plead the damage cap prejudiced the plaintiff in its ability to respond to the defense.

The plaintiff has failed to show that it has been prejudiced by the defendants' failure to plead the punitive damage cap. Therefore, the Court concludes that, even if the punitive damage cap is considered an affirmative defense, the defendants did not waive such defense by raising it for the first time in the motion under consideration.

In regard to the claims for interference with prospective economic advantage, the jury awarded actual damages against the defendants in the following amounts:

$348,600	Clear Channel Metroplex d/b/a KHEY/KPRR
$49,800	John Candelaria
$74,700	Bill Struck
$24,900	Jim Paul

In regard to those claims, the jury also awarded punitive damages against the defendants in the following amounts:

$5,000,000	Clear Channel Metroplex d/b/a KHEY/KPRR
$150,000	John Candelaria
$300,700	Bill Struck
$1,000	Jim Paul

The two punitive damage awards that appear to violate the statutory cap are the damages against Clear Channel and Bill Struck. Defendants contend that the awards against Clear Channel and Bill Struck should be reduced to $697,200 and

$200,000, respectively, in order to comport with § 41.008 (b). The Court agrees, and the judgment will be altered to reflect the reduction in punitive damages.

Conclusion

The punitive damage awards against Clear Channel and Bill Struck should be reduced to $697,200 and $200,000, respectively, in order to comport with § 41.008(b). In that regard, the motion to alter the judgment should be GRANTED. In all other respects, the motion should be DENIED.

It is so ORDERED.

SIGNED this 10th day of November, 1998.

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Filed: 8/10/98

ORDER

The Court has entered a judgment in this case in favor of plaintiff based on the verdict rendered by the jury. Before the Court is Defendants' Renewed Motion For Judgment As A Matter Of Law. Docket no. 132. Defendants assert a variety of arguments for judgment as a matter of law. Upon consideration, the Court believes that the motion should be denied.

Discussion

1. Punitive Damage Question

Defendants contend that the Court must set aside the punitive damage award, which pertains to the claims for interference with prospective economic advantage. Defendants contend that plaintiff Small Business Assistance Corporation ("SBAC") did not plead or submit a question in the pretrial order regarding punitive damages for interference

with prospective economic advantage. It is well settled that a joint pretrial order signed by both parties supersedes all pleadings and governs the issues and evidence to be presented at trial. *McGehee v. Certainteed Corp.*, 101 F.3d 1078, 1080 (5th Cir.l996). Therefore, whether SBAC's complaint contained allegations concerning punitive damages is irrelevant at this point.

Instead, the focus is on the agreed pretrial order. Once the pretrial order is filed, it controls the scope of the case, and if a claim or issue is omitted from it, then it is considered to be waived. *Flanneiy v. Carroll,* 676 F.2d 126, 129 (5th Cir.1982) . A district court is not required to consider matters omitted from a pretrial order unless such consideration is necessary to prevent manifest injustice. *Goodmanv.Lee,* 78 F.3d 1007, 1011 (5th Cir.Y, *cert. denied,* — U.S. —, 117 S.Ct. 166, 136 L.Ed.2d 108 (1996) . The Court notes that the pretrial order contains a disputed issue of fact regarding punitive damages:

> Plaintiff further alleges that by reason of the fact that Defendants knew that the representations described above were false at the time they were made, the representations were willful and malicious and constitute conduct for which the law allows the imposition of exemplary damages. In this connection, Plaintiff will show that it has incurred significant losses, damages and expenses, including attorney's fees, in the investigation and prosecution of this action. Accordingly, Plaintiff requests that exemplary damages be awarded against the Defendants.

Pre-Trial Order, pp. 11-12. Given that 'disputed issue of fact, the Court must find that the pretrial order encompassed the issue of punitive damages. *See Branch-Hines v. Hebert,* 939 F. 2d 1311, 1319 (5th Cir.1991) (contested issues of fact and

law considered in order to determine the scope of the pretrial order).

Defendants contend, however, that SBAC failed to raise the issue of punitive damages with regard to the claims of interference with prospective economic advantage. SBAC's proposed jury charge contains a question about willfulness, which is a prerequisite for imposing punitive damages. SBAC's proposed question regarding willfulness is not tied to a particular cause of action: "Do you find that Defendant Clear Channel WILLFULLY INFRINGED any rights of S.B.A.C.?" PretrialOrder, SBAC's proposed jury charge, p.11. (emphasis original) . SBAC's proposed jury charge also contains a question for actual damages for "intentional interference with existing contract or for wrongful interference with prospective contractual relations." *Id.* at p.17. Although SBAC's proposed jury chargé provides a sample question for punitive damages regarding interference with an existing contract, it does not provide such a question regarding the claim regarding prospective contractual relations or prospective economic advantage. SBAC's failure to provide such a proposed question is the focus of defendants' attack on plaintiff's claim for punitive damages.

The Court notes, however, that the defendants' proposed jury instructions includes an instruction on punitive damages, but it is not presented in conjunction with a specific claim. PretrialOrder, Defendants' proposed jury instruction number 63. Also, defendants' proposed "jury issues" contains a question as to punitive damages that should be answered only after an affirmative answer to the preceding question regarding whether any of the activities causing damage to SBAC were committed maliciously. PretrialOrder, Defendants' proposed jury issues numbers 14, 15. Thus, defendants did not confine the issue of punitive damages to

claims other than the claim of interference with prospective economic advantage.

In light of the contested issue of punitive damages in the body of the pretrial order, along with the proposed jury instructions and questions regarding punitive damages, the Court finds that plaintiffs did not waive the issue of punitive damages as to the claims for interference with prospective economic advantage. Although district courts are to narrowly interpret pretrial orders, the courts have discretion in interpreting the issues presented in the pretrial order. Following the course of action requested by defendants would require an exact presentation of issues such that district courts would have no discretion in interpreting which issues are presented for trial. Indeed, as to defendants' presentation of the issue of punitive damages, the defendants failed to abide by their requirement of specificity in that they did not limit their proposed question on punitive damages to a particular type of claim. The Court finds that to exclude the punitive damage question as to the claims for interference with prospective economic advantage would amount to a manifest injustice to plaintiff.

The Court must be able to determine the issues presented by the pretrial order without having to be confined to the level of specificity suggested by defendants. In *Pacific Indemnity Co. v. Broward County,* the Fifth Circuit cited to *Case v. Abrams,* 352 F.2d 193, 195-196 (10th Cir.1965), for authority that the issues in the pretrial order "ought to be adhered to in the absence of some good and sufficient reason which must rest largely within the discretion of the court." 465 F.2d 99, 103 (5th Cir.1972) . The Tenth Circuit described the task of the district court as that of balancing firmness and adaptability:

> Treatment of the pretrial order after entry requires an appropriate balance between firmness to preserve the essential integrity of the order, and adaptability to meet changed or newly discovered conditions or to respond to the special demands of justice. If a good order must "say something," what it says must have more than shifting or transitory meaning. A policy of too easy modification not only encourages carelessness in the preparation and approval of the initial order, but unduly discounts it as the governing pattern of the trial. On the other hand, an unswerving insistence upon every provision, under all circumstances, may work grave injustice in individual cases, and by repeated instances could discourage the entire bar of the court from entering into pretrial agreements in the spirit contemplated by the rules.

Case v. Abrams, 352 F.2d at 195. In balancing firmness with adaptability, the Court notes that the trial of this case involved numerous, detailed legal issues. During the charge conference, it was clear that each side had questions about the nature of the claims presented, the viability of the claims presented, and the burdens of proof regarding each claim. Requiring the level of specificity advanced by defendants would mean that the parties should have resolved all such issues before trial. In light of the clear intention of SBAC to seek punitive damages, the detailed issues presented in this case, along with the unresolved issues at the time of the charge conference, it would be unfair to preclude the punitive damage question at issue. Therefore, in regard to that punitive damage question, the renewed motion for judgment as a matter of law should be denied.

2. Damages For Interference With Prospective Economic Advantage

Defendants contend that the interference claims are not based on independent facts. The Court disagrees. There was evidence that defendants aired messages on the radio that erroneously stated that SBAC's concert was canceled. There was also evidence regarding the defendants' actions in regard to contracts with musical acts. The evidence at trial also provided a basis for the jury to believe that SBAC could not produce a similar concert in the future. The Court finds that such evidence provides a basi's for the jury's finding that the defendants interfered with SBAC's attempt to attract concert-goers. Also, that evidence does not go to show likelihood of confusion between the competing trade marks. Therefore, the Court finds that the interference claims are based on facts independent of SBAC trademark-related claims.

Defendants also contend that the actual damages awarded for the claims of interference with prospective economic advantage should not be allowed because it represents a double recovery. The Court disagrees with that argument because the jury charge addressed that issue. The interrogatory regarding actual damages specifically focused on damages attributable to the claim at issue:

> As to each defendant, and only in regard to the claims for interference with prospective economic advantage, what sum of money will fairly and reasonably compensate the plaintiff for its actual damages, if any, that directly resulted from such defendant 's actions?

Verdict, Interrogatory number 9 (emphasis added). Also, the jury instructions cautioned against awarding damages more than once for the same injury:

> You must not award compensatory damages more than once for the same injury. For example, if the

> plaintiff prevails on two claims and establishes a dollar amount for its injuries, you must not award him any additional compensatory damages on each claim. The plaintiff is only entitled to be made whole once, and may not recover more than it has lost. Of course, if different injuries are attributed to the separate claims, then you must compensate the plaintiff fully for all of its injuries.

Jury Instructions, p. 16. The jury sent out a note asking if the damages regarding the claims for interference are to mirror the damages regarding the trademark-related claims. In response, the Court advised the jury to read the quoted portion of the jury charge. The difference in damages for the trademark-related claims and the interference claims is strong evidence that the jury understood the difference between the claims and did not provide a double recovery. Therefore, the Court finds that the damages awarded as to the claims for interference with prospective economic advantage do not represent a double recovery.

The defendants further contend that SBAC failed to prove with reasonable certainty that it lost profits for a 30-year period. The Court will not undertake the task of summarizing evidence that took days to present. Based on the evidence presented at trial, the Court finds that SBAC proved with reasonable certainty that it lost the ability to produce its own concert.

For these reasons, the Court will not set aside the jury's award of actual damages in regard to the claims for interference with prospective economic advantage.

3. Confusion

Defendants seek judgment as a matter of law on the basis that the names used by SBAC and the defendants are not "confusingly similar." There was extensive evidence from which the jury could determine the extent of confusion between the marks at issue. Therefore, the Court finds that the jury had a sufficient evidentiary basis for its finding in regard to the likelihood of confusion between the marks.

Conclusion

Defendants have failed to show an appropriate basis for being awarded judgment as a matter of law. Therefore, the defendants' renewed motion for judgment as a matter of law should be DENIED.

It is so ORDERED.

SIGNED this 10th day of November, 1998.

NO. SA-97-CA-515-JWP

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF TEXAS
SAN ANTONIO DIVISION

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff

v.

CLEAR CHANNEL METROPLEX, INC. d/b/a
KHEY/KPRR, JOHN CANDELARIA,
BILL STRUCK AND JIM PAUL,
Defendants

Filed: 11/10/98

ORDER

The Court has entered a judgment in this case in favor of plaintiff based on the verdict rendered by the jury. Before the Court is Defendants' Motion For New Trial, In The Alternative To The Defendants' Renewed Motion For Judgment As A Matter Of Law. Docket no. 133. Defendants assert a variety of arguments for new trial. Upon consideration, the Court believes that the motion should be denied.

Discussion

1. Burden Of Proof On The Punitive Damage Question

Defendants contend that the jury' s punitive damage award must be set aside because the Court submitted the wrong burden of proof with regard to such damages. In 1995,

the Texas Legislature raised the evidentiary standard for recovery of punitive damages under Texas law from the "preponderance of the evidence" standard to the "clear and convincing" standard. TEX.CIV.PRAC. & REM. CODE ANN. § 41.003 (Vernon 1997). The jury instructions submitted to the jury in this case required that the elements of punitive damages be proven by a preponderance of the evidence rather than by clear and convincing evidence. Verdict, Interrogatory number 8.

The Court notes, however, that defendants objected to the punitive damage question only on the basis that the pretrial order did not present an issue of punitive damages as to the claims of interference with prospective economic advantage. Also, defendants' proposed question regarding punitive damages used a preponderance-of-the-evidence standard. Defendants, as well as plaintiffs, failed to object to the jury charge on the basis that the wrong burden of proof was being used. Renewed Motion Of Judgment (docket no. 132), Ex. 2, p.30; *Motion For New Trial* (docket no. 133), Ex. 2, p.31. Where no timely objection is made to the jury charge, "the claimed error cannot be reviewed on appeal unless giving the instruction was 'plain error' so fundamental as to result in a miscarriage of justice." *Branch-Hines v. Hebert,* 939 F.2d 1311, 1319 (5th Cir.1991) . There was a significant amount of evidence from which the jury could find that the defendants acted with malice, willfulness, or with callous and reckless indifference to the rights of SBAC with regard to the claims for interference with prospective economic advantage. Considering the nature of the evidence presented with regard to punitive damages, the Court finds that the unobjected-to jury charge did not result in miscarriage of justice with regard to the award of punitive damages in this case.

Therefore, the motion for new trial should be denied in that regard.

2. Proportion Of Punitive Damages To Actual Damages

Defendants contend that a new trial should be granted on the issue of punitive damages because there is not a reasonable proportional relationship between punitive damages and actual damages. Although included by defendants in their motion to amend the judgment, this motion fails to include the statutory punitive damage cap as a basis for relief. State law provides that punitive damages in a case such as this may not exceed an amount equal to the greater of (1) two times the amount of economic damages (plus an amount for non-economic damages, which were not sought in this case), or $200,000. TEX.CIV.PRAC. & REM.CODE ANN. § 41.008(b)'. Despite that cap on punitive damages, defendants cite *to Quest Medical, Inc. v. Appriil,* 90 F.3d 1080, 1090 (5th Cir.1996), for the proposition that a 3 to 1 ratio provided a reasonable proportion between punitive damages to actual damages. However, *Quest Medical, Inc.* involved an incident that occurred in 1989, whereas the statutory damage cap applies to causes of action that accrued on or after September 1, 1995. TEX. CIV. PRAC. & REM. CODE ANN. § 41.001 historical note [Acts of 1995, 74th Leg., ch. 19, Sec. 1-2] . This case involves incidents that took place in 1996 and 1997. Thus, instead of determining a reasonable proportion, the Court will follow § 41.008(b). Therefore, the Court will deny the request for the motion for new trial as to this issue, but this issue will be addressed in the context of the defendants' motion to amend.

3. Sufficiency Of Evidence

Defendants argue that a new trial is required because the jury's award of actual damages is not supported by the

evidence. In particular, defendants contend that the evidence fails to show that the defendants' conduct was a substantial factor in causing third parties not to fulfill SEAC's expectancy of an economic advantage. There was evidence that defendants aired messages on the radio that erroneously stated that SEAC's concert was canceled. There was also evidence regarding the defendants' actions in regard to contracts with musical acts. The evidence at trial also provided a basis for the jury to believe that SBAC could not produce a similar concert in the future. The Court finds that such evidence provides a sufficient basis for the jury's finding that the defendants' conduct was a substantial factor in causing concert-goers not to fulfill SBAC's expectancy.

Defendants also contend that 30 years of actual damages is not the correct measure of damages. The Court will not undertake the task of summarizing evidence on this issue that took days to present. Based on the evidence presented at trial, the Court finds that SBAC proved with reasonable certainty that it lost the ability to produce its own concert. Also, the evidence presented a sufficient basis for the jury to find that 30 years of actual damages is the correct measure of damages.

For these reasons, the Court will not grant a new trial in regard to the sufficiency of the evidence supporting the jury's award of actual damages in regard to the claims for interference with prospective economic advantage.

4. Issue Of Abandonment

Defendants contend that the Court should grant a new trial because the Court committed reversible error in failing to submit the defendants' requested jury question on abandonment. The Court directed a verdict against defendants on the issue of abandonment because of the

insufficiency of evidence on that issue. For that reason, the Court will not grant a new trial in regard to the issue of abandonment.

5. Confusion

Defendants seek a new trial on the basis that the names used by SBAC and the defendants are not "confusingly similar." There:

was extensive evidence from which the jury could determine the' extent of confusion between the marks at issue. Therefore, the Court finds that the jury had a sufficient evidentiary basis for its finding in regard to the likelihood of confusion between the marks.

Conclusion

Defendants have failed to show an appropriate basis for being granted a new trial. Therefore, the defendants' motion for new trial should be DENIED.

It is so ORDERED.

SIGNED this 10th day of November, 1998.

No. 98-51200

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff-Counter Defendant-Appellee-Cross-Appellant,

v.

CLEAR CHANNEL BROADCASTING, INC.; BILL STRUCK; JIM PAUL,
Defendants-Counter Claimants-Appellants-Cross-Appellees,

JOHN CANDELARIA,
Defendant-Appellant-Cross-Appellee.

ORDER

5/22/00

The petition for rehearing is denied.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Amendment VII. Civil Trials

> In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

No. 98-51200

UNITED STATES COURT OF APPEALS
FOR THE FIFTH CIRCUIT

SMALL BUSINESS ASSISTANCE CORPORATION,
Plaintiff-Counter Defendant-Appellee-Cross-Appellant,

v.

CLEAR CHANNEL BROADCASTING, INC.; BILL STRUCK; JIM PAUL,
Defendants-Counter Claimants-Appellants-Cross-Appellees,

JOHN CANDELARIA,
Defendant-Appellant-Cross-Appellee.

PETITION FOR REHEARING

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MISCELLANOUS

2 J. Thomas McCarthy, *McCarthy on Trademarks* (4th ed. 1999) 2, 5

Small Business Assistance Corporation ("SBAC") files this Petition for Rehearing pursuant to Federal Rule of Appellate Procedure 40.

Former President George Bush issued a call to all Americans to find creative ways to respond to the needs of their communities through volunteer efforts and through joint public/private ventures. The SBAC did just that when it started up the Uncle Sam Jam concerts as a "thank-you" to the returning Desert Storm soldiers. One-half of the profits from the Uncle Sam Jam concerts went to Fort Bliss to provide recreation and entertainment for the families of the soldiers stationed there. (PX 41) After Clear Channel destroyed the Uncle Sam Jam concert, Fort Bliss was unable to provide the sorts of activities for military families it previously had. (6R 83; 7R 149) Yet, no one has even attempted to hold Clear Channel accountable for the money

that was lost to Fort Bliss, and now, for the money that was lost to SBAC in this worthy venture, this Court has simply wiped the slate clean. All of the malicious acts found by the jury merit no mention in this Court's Opinion, and SBAC now has the privilege of paying Clear Channel's costs. Apparently, Clear Channel is not to be held accountable at all.

A jury gave of its time for six full days to consider all the evidence, and a magistrate judge spent additional days hearing and considering the numerous post-verdict and post-judgment motions. Their time and efforts have all been rendered meaningless by this Court's cursory opinion. SBAC implores the Court to reconsider its ruling in view of the arguments below, to read the briefs and the record, and to provide some analysis of the issues. Such a reconsideration should impel the Court to rule in SBAC's favor on the merits of the case.

I. The Court Erred in Reversing on The Lanham Act Claim.

The Court has concluded that "Summer Jam" is a generic term, and hence that it cannot infringe. In so holding, the Court erred in three ways: (1) In simply adopting the testimony of Defendants' expert while entirely disregarding the testimony of Plaintiff's expert; (2) In fundamentally misperceiving the nature of genericness; and (3) In failing to adhere to the standard of review.

1. The Court erred in disregarding the evidence.

On the Lanham Act claim, it was Plaintiff's burden to show that there was a likelihood of confusion between the registered mark, "Uncle Sam Jam," and the infringing mark, "Summer Jam." This was a fact question, and Plaintiffs met the burden with an array of credible evidence. *See Society of Financial Examiners v. National Ass'n of Certified Fraud Examiners*, 41 F.3d 223, 226 (5th Cir. 1995)(recognizing that genericness and likelihood of confusion were issues for trier-of-fact); *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852 (3d Cir. 1992)(discussing genericness as affecting the analysis on

likelihood of confusion and recognizing it as a fact question); *see also* 2 J. Thomas McCarthy, *McCarthy on Trademarks* § 12:12 (4th ed. 1999) ("Genericness is a question of fact.").

It was *not* Plaintiff's burden to affirmatively negate the notion of "Summer Jam" being a generic mark. Rather, that notion was part of the Defendants' case, and the Defendants attempted to prove up the generic nature of "Summer Jam" via their expert's testimony. The jury was free to reject that testimony, which it did. Instead, the jury accepted the testimony of SBAC's expert, Mr. David Henry, who is a trademark lawyer at Graves, Dougherty, Hearon & Moody, and who had unchallenged expertise.[1] He testified that neither the term "jam" nor the "Summer Jam" mark as a whole were generic. (8R 422-29, 460) There is no basis in the record or in the law for this Court to simply disregard this evidence, and hence, no basis for its conclusion that Clear Channel's use of "Summer Jam" was generic.

The Court's reasoning is not clear, but SBAC is concerned that the Court may have implicitly adopted Clear Channel's suggestion that there should have been evidence specifically relating to the understanding of consumers *in the targeted audience*. If indeed the Court was looking for precisely this evidence, then it was looking for evidence in support of a burden that the law does not require. In *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 592, 597 (5th Cir. 1985), this Court expressly rejected the notion that the only relevant evidence would be evidence specifically relating to the understanding of the targeted consumers. *See also Society of Financial Examiners*, 41 F.3d

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[1] Indeed, Mr. Henry was counsel of record for the successful Appellants in the *Society of Financial Examiners* case, which was cited by the Court in this case, and which involved the reversal of a summary judgment in recognition of the factual nature of the genericness inquiry.

at 228 n.11. The Court held that a likelihood of confusion in the targeted consumers could be inferred from evidence of actual confusion *in anyone*, "regardless of the identity of the person confused[2]." *Fuji Photo*, 754 F.2d at 597. Since the Court has expressly rejected any requirement of specific "targeted consumer' evidence for the primary issue on likelihood of confusion, it would be incongruous for the Court to require that a plaintiff provide specific "targeted consumer" evidence to rebut a genericness defense.

2. The Court misperceived the basic nature of genericness.

The standard example on the concept of genericness is that Apple Computer cannot claim a trademark infringement against a grocer who uses the word "apple" to indicate the fruit sold in his store. This example was part of the instruction that was given to the jury, and Clear Channel made no complaint about it. (4R 865-893; 11 R 1137) As the example of the "apple" demonstrates, a generic term is one that merely tells the buyer "what the product is, not where it came from." *Society of Financial Examiners*, 41 F.3d at 227.

However, the mere fact that the term "apple" is generic does not mean that the use of "apple" in a mark can never give rise to an infringement. To the contrary, there are a great many cases in which the use of a superficially generic term has given rise to a trademark infringement. *See, e.g., Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144 (3d Cir. 1953)("Cotton Tips" was not generic and was held to infringe

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2 Such evidence was extensive in this case, and there was also evidence of confusion in the targeted consumers themselves who, Candelaria admitted, were calling the radio station. (7R 305-08, 344-46; 8R 435; 9R 842-43; 10R 961)

against "Q-Tips."); *Kenner Parker Toys, Inc. v. Rose Art Ind., Inc.*, 963 F.2d 350 (Fed. Cir. 1992)("Fun Dough" was not considered generic, but was recognized as creating a likelihood of confusion with "Play-Doh."); *Coca-Cola Co. v. Clay*, 324 F.2d 198 (C.C.P.A. 1963)(Though "cola" was recognized as a "common descriptive term," the mark "Cup o'Cola" was held to create a likelihood of confusion with "Coca-Cola."). This Court itself has explained this seeming anomaly in the following manner:

> The whole, in trademark law, is often greater than the sum of the parts. Common words in which no one may acquire a trademark because they are descriptive or generic may, when used in combination, become a valid trademark.

Association of Cooperative Members, Inc. v. Farmland Ind., Inc., 684 F.2d 1134 (5th Cir. 1982), *quoted with approval in Taco Cabana Int'l v. Two Pesos, Inc.*, 932 F.2d 1113 (5th Cir. 1991), *aff'd*, 505 U.S. 763 (1992); *see also In re Colonial Stores, Inc.*, 394 F.2d 549 (C.C.P.A. 1968) (explaining how "Sugar & Spice" could be a valid trademark for a bakery product even though each of the two terms alone would be merely generic); *see also* McCarthy at §11.26.

Similarly, even if one concludes here that Clear Channel's use of the term "summer" is akin to the grocer's use of "apple," and *even if* the term "jam" were also considered to be generic (a fact that Clear Channel did *not* conclusively establish and for which there is significant contrary evidence), each term would still be merely one part of the whole. And, the whole of "Summer Jam" is *not* generic. (8R 422-29, 460)

In particular, "Summer Jam" is not generic when it is

considered in the manner that Clear Channel actually used it. Up until the day before the concert, Clear Channel used the mark with a Roman numeral "V" – i.e., as "Summer Jam V." This was a blatant attempt on Clear Channel's part to suggest to consumers that it had produced the four previous "Uncle Sam Jam" concerts—when it had not—SBAC had. (6R 33-34, 47-49, 113-15; 8R 387, 401, 503-04, 522, 705; 9R 688-89) *This is a critical fact that the Court has completely overlooked.*

The name "Summer Jam" was intended, by its similarity of sound, to link consumers to the "Uncle Sam Jam" concerts, and by adding the Roman numeral "V," the mark went even further so as to tell consumers that "Summer Jam" was the fifth concert in a series. (8R 388, 433) Thereby, it told consumers that "Summer Jam" came from the same place as the preceding four concerts – *i.e.*, from the same place as the "Uncle Sam Jam" concerts. Thus, Clear channel used the mark, not merely to tell consumers "wh[illegible] the product is," but also to confusingly tell them "where it came from." *See Society of Financial Examiners*, 41 F.3d at 227.

3. The Court erred in failing to apply the correct standard of review.

The Court cites case law in which the genericness issue arose via summary judgment. In *Dranoff*, the trial court granted summary judgment on the ground that plaintiff's use of "Injury-1" as a service mark telephone number was generic such that defendant's use of "Injury-9" could not infringe. 967 F.2d at 854. The court of appeals reversed *and remanded* based on its recognition that, even though the term "injury" standing alone was generic, there remained a fact question as to the mark as a whole – i.e., as to the use of "Injury-1" – and a fact question as to the overall likelihood of confusion. *Id.* at 853, 862. Similarly, *even if* the terms "summer" and "jam," standing alone, were generic, there would remain a fact question as to Clear Channel's use of the

mark as a whole – i.e., as to its use of "Summer Jam V" – and as to the overall likelihood of confusion.

Likewise in the *Society of Financial Examiners* case, a summary judgment disposition was involved. The trial court had ruled as a matter of law that an organization's use of the initials "CFE" to designate a "certified fraud examiner" constituted an infringement against another organization's use of the initials as designating a "certified financial examiner." 41 F.3d at 224. Reviewing the summary judgment on a *de novo* basis, this Court reversed and remanded, holding that a fact-finder could conceivably decide that "CFE" was generic so as to preclude infringement. 41 F.3d at 224, 226. "Whatever the final outcome," said this Court, "we are persuaded that only a full trial on the merits ... will properly sort out the protectability of 'CFE'." 41 F.3d at 299. Thus, although recognizing that a jury might ultimately find "CFE" to be generic, this Court focused on the factual nature of the inquiry and the need for a full trial on the merits. Unlike the *Society of Financial Examiners* case, such evidence and fact-findings have already been had in this case, and there is no basis for this Court to simply disregard the evidence that supported the jury's verdict.

The only other case cited by the Court was *American Cyanamid*, in which the trial court enjoined the use of the mark "HibVAX" because it was "potentially" confusingly similar to the protected mark, "HIB-IMUNE." *American Cyanamid Corp. v. Connaught Lab., Inc.*, 800 F.2d 306 (2d Cir. 1986). Recognizing that "Hib" was a generic term for the disease "haemophilus influenzae type b," the Second Circuit reversed, holding that a trademark infringement "cannot be based on the use of a generic or descriptive term such as 'Hib.'" *Id.* at 307. In so holding, however, the Court recognized the need to consider the whole of the marks and expressly noted that the suffixes for the two marks were totally different and share "not even a letter in common." *Id.* at 308. By contrast, in this case, the suffixes of the two

marks are identical – i.e., "jam." Moreover, the Second Circuit also pointed out that there was absolutely no proof of either deceptive use connected with the "HibVAX" mark or of any intent to create confusion. *Id.* By contrast, in this case, Clear Channel's own employees testified that confusion and deception were intended. (8R 388, 505-06, 523). There was also other circumstantial proof of Clear Channel's deceptive use of the mark as reflected in its use of the Roman numeral "V" and its advertising ploys, all of which were designed, not merely to inform the public that a summer concert was planned, but to invoke confusion as to the source of the concert by linking "Summer Jam" to the prior "Uncle Sam Jam" events. (8R 433)

Thus, far from supporting the Court's unilateral conclusion that "Summer Jam" is generic, the case law cited by the Court only demonstrates that the issue is a factual one. As such, this Court should apply the proper standard of review for a fact issue. Although the evidence is more than enough to pass an insufficiency review, the reality is that Clear Channel waived any insufficiency review. Therefore, the Court is limited to considering whether there was any evidence at all to support the jury's findings. (See SBAC's Brief for Appellee at 13-16 and SBAC's Response to Reply Brief at 6-12) This means that a reversal would be appropriate only if the evidence *conclusively* established that Clear Channel's use of "Summer Jam" was generic and there was no evidence to the contrary. The Court could reach such a conclusion only if it were to strike the testimony of Mr. Henry and disregard all of the other evidence on Clear Channel's confusing use of the mark with the Roman numeral "V." Because there is absolutely no basis for either action, there is no proper basis for this Court to simply substitute its own conclusion on genericness for that of the jury and the trial court.

II. The Court Erred in Reversing on the Tortious Interference Claim.

The Court erred in reversing the tortious interference claim because the evidence supports the finding of lost profit damages resulting from Clear Channel's tortious acts. The error is four-fold: (1) The Court's analysis fails to reflect the evidence in the record, both as to the tortious acts and as to the causal link; (2) The Court wholly negates the circumstantial evidence and imposes the unprecedented burden of proving a case by direct evidence; (3) The Court fails to apply current Texas law concerning new businesses; and (4) The Court implements an analysis that effectively abolishes lost future profits as a form of damages.

1. The Court erred because the evidence shows the causal connection between the tortious acts and the damages.

The Court seems to mistakenly conclude that Mr. Candelaria threatened only one record company, Def Jam. However, Mel Dolezal testified about "numerous occasions" when he heard Mr. Candelaria threaten record label companies and use "strong-arm" tactics on them. (8R 508, 527) These threats were directed not only at Def Jam, but at others, including Maximillian, "the Culio people," and "the Da Brat people." (8R 527) The impact of these threats, combined with Clear Channel's other tortious conduct, was such that SBAC could not put on another Uncle Sam Jam concert. Alvin Johnson expressly testified that, after all that had happened, "people would not want to participate with us." (7R 226) Thus, the causal connection between the tortious acts and the damages was established.

2. The Court erred in negating the circumstantial evidence.

The Court, however, points out there was no direct evidence of any artist who refused to perform at the 1996 Uncle Sam Jam concert or of any person who forwent attendance at the 1996 concert because of either the

cancellation announcements or the parked van.[3] However, the fact that there was no direct evidence on these specific matters does not mean that there was no evidence to support the causal link between the tortious acts and the damages. There is no evidentiary requirement that the causal link be derived from the specific sorts of direct evidence that the Court seems to demand. Rather, the law clearly allows for the use of circumstantial evidence, and the jury was so instructed, without objection. (4R 865-893; 11 R 1137)

The evidence squarely showed that Clear Channel used its radio station to *falsely* announce to the public that the Uncle Sam Jam Freedom Festival had been canceled due to rain and that the headliner artist, Montel Jordan, had canceled. (6R 43, 65; 7R 260, 310) This evidence came from people who actually heard the announcements. *Id.* From this direct evidence, the jury could infer that there would necessarily be people who heard the radio announcements and acted on them by failing to attend the concert. Similarly, there was direct evidence concerning Candelaria's "numerous" threats against record label companies and musicians and concerning Candelaria's power in the music industry. (7R 287, 296; 8R 390, 509; 9R 690) There was also direct evidence concerning the number of radio stations

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[3] The Court wholly misperceives the nature of the damage caused by Power-102's van at the 1996 Uncle Sam Jam Freedom Fest. The purpose of Power-102's parked van was not to preclude people from attending the concert but, rather, to detract from the benefit that the competing radio station was getting from its promotion of the event by making concert-goers think Power-102 was still the promoter. (8R 391; 9R 671) This affected SBAC's ability to put on future concerts by making clear to other radio stations that Clear Channel would work to negate and interfere with any name recognition another station might derive from promoting future concerts with SBAC.

that Clear Channel has across the country, and Clear Channel's power within the industry. (9R 690) From this direct evidence, the jury could circumstantially infer that the threats had an impact. In any event, the evidence directly showed that the threats impacted at least one musician, Montel Jordan. (7R 287) From all of this evidence, the jury could reasonably infer that the threats affected other musicians. Also, Alvin Johnson and Renard Johnson had four prior years of experience in putting on such concerts and, thus, they had knowledge of the industry. (6R 24, 93, 99, 130, 232, 237-38, 330) They testified that "people would not want to participate with us" after all that had happened and that it "would be like throwing away money" to attempt another concert. (7R 226, 261) This evidence was more than enough to link the tortious conduct with the damages.

3. The Court erred in failing to apply current Texas law.

The Court rejects the lost profit damages based on its conclusion that the 1996 Uncle Sam Jam Freedom Festival was a new and untested business. This conclusion is contrary to the evidence and contrary to current Texas law.

Although Uncle Sam Jam was mainly a hip-hop music event, it had always included a variety of other genres, including "top 40" artists, "Hispanic artists," and "cross-over" musicians. (7R 337-38) So, when SBAC decided to "grow the event" to include a second day with rock music, it was not starting a new business from scratch but was expanding the business that already existed – a business that had been gaining momentum for four prior years. (6R 118; 7R 190, 247) "Uncertainty surrounding precisely how the industry will evolve does not reduce all analysis about future development to mere speculation." *DSC Communications Corp. v. Next Level Communications*, 107 F.3d 322, 330 (5th Cir. 1997)(applying Texas law). Thus, the law does not require that a business remain stagnant to recover lost future profits, and to the contrary, it is proper to consider a normal increase in business. *Texas Instr., Inc. v. Teletron Energy*

Mgmt., Inc., 877 S.W.2d 276, 279 (Tex. 1994).

When Clear Channel interfered, SBAC was an established business with a four-year track record of putting on Uncle Sam Jam events. Three of those years were profitable, and the most recent prior year was extremely profitable. (6R 143) Under these circumstances, current Texas law clearly allows for the recovery of lost profit damages. Consider, for example, the *DSC Communications* case, which involved a "revolutionary" new high-tech product that was not yet even fully developed and that had *never* been sold to anyone. 107 F.3d at 329. Lost profit damages were allowed based on evidence concerning the market research, the company's prior history in the industry, and the likely market share that the company would have obtained. *Id.* Although the Court recognized that such predictions "are not guaranteed," it noted that the jury believed the expert's estimation of damages and held that "it will be enough if the evidence shows the extent of the damages as a matter of just and reasonable inference." *Id.* Here, the damages were shown with far more certainty than in the *DSC Communications* case. At a minimum, the prior history of Uncle Sam Jam and the prior history of profitability provided enough evidence from which the jury could make "a just and reasonable inference." And this evidence was supplemented by Mr. Trevino's very specific calculations. (PX 41)

In another case, *Ishin Speed Sport, Inc. v. Rutherford*, 933 S.W.2d 343 (Tex. App. – Fort Worth 1996, no writ), the court upheld a lost profits award for a new driving school based on revenue projections that were derived from the school's business plan. The plan had been prepared by Johnny Rutherford based on his experience as an auto-racing professional and on his discussions with other driving schools. *Id.* at 351. By comparison, SBAC's prior four years of Uncle Sam Jam concerts provided a much more solid basis for lost profit damages than did the prior experience of the *Rutherford* plaintiff. Johnny Rutherford was beginning a

new business; SBAC was simply expanding the same business.

Moreover, *even if* the expansion to a 2-day format could be viewed as constituting a new business, current Texas law does not preclude a new business from recovering lost profit damages so long as the estimates are founded on factual data sufficient to provide a reasonable estimate. *America's Favorite Chicken Co. v. Samaras*, 929 S.W.2d 617, 629 (Tex. App. – San Antonio 1996, writ denied); *Texas Instr.*, 877 S.W.2d at 279-80. Mr. Trevino's expert testimony met this standard and the jury chose to believe Mr. Trevino's estimation of damages, as it was entitled to do. In accordance with his specific calculations, the jury awarded damages for eight years' worth of future lost profits. (PX 41 at Ex. 5)

4. The Court erred in adopting an analysis that effectively abolishes lost future profits as a form of damages.

The Court states that all of Clear Channel's conduct related to the 1996 concert and that this fact also illustrates why the lost profits for years after 1996 are speculative. With this sort of reasoning, the Court simply asks the impossible of a plaintiff seeking damages for lost future profits.

The effect of Clear Channel's tortious conduct was to destroy the Uncle Sam Jam concert and put the event out of business. (7R 149) So, how could there possibly be evidence of post-1996 tortious conduct relating to post-1996 concerts that never took place? The very reason that such post-1996 concerts never occurred was the tortious conduct in 1996. Yet the Court seems to posit that there should have also been evidence of tortious conduct in 1997, 1998, 1999 and in all future years for which damages were had. Such reasoning would simply do away with lost future profits as a form of damages.

Respectfully submitted,